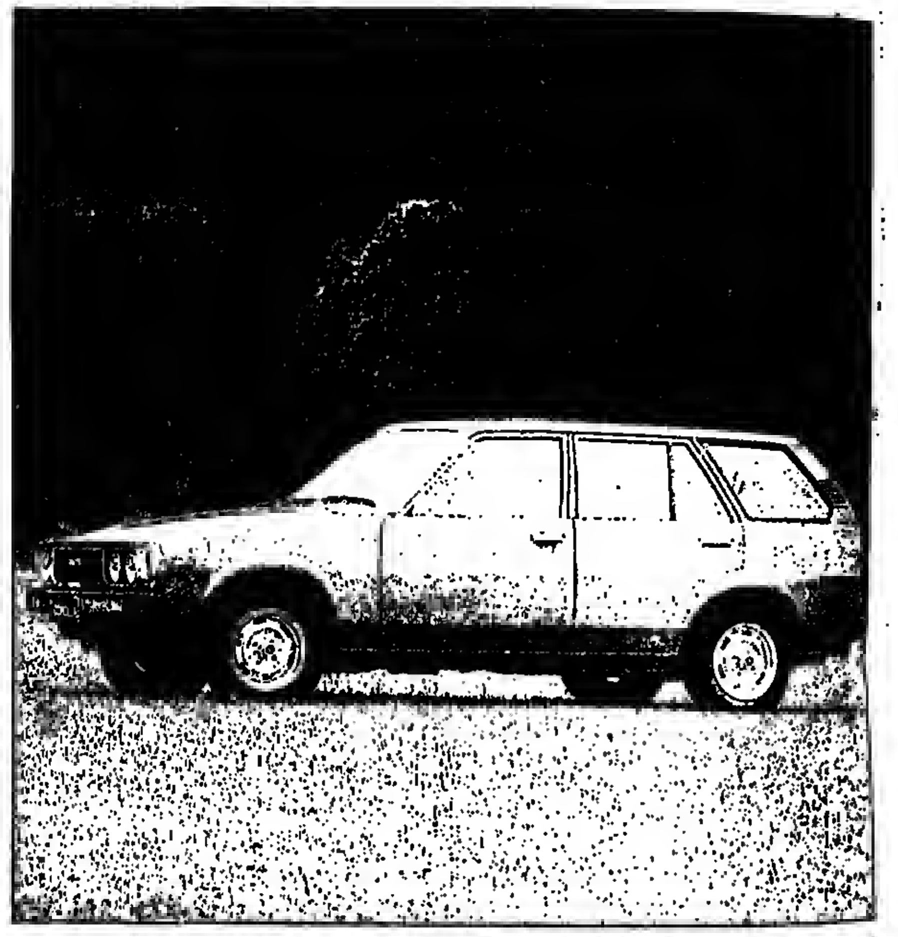


Volume 10, No. 34 (Issue 399) September 8, 1980 ISSN 0110-6813

NEW ZEALAND'S NATIONAL WEEKLY OF BUSINESS, POLITICS AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

Inside

Opec price hike threatens oil companies' liquidity

IF Opec ministers substantially raise the price of oil next month, New Zealand oil companies could face bankruptcy.

With falling pump sales and full storage tanks, the four wholesalers – Shell, BP, Caltex and Mobil – are heavily in debt.

One industry source said: "If there is a major escalation in Opec prices again it will be impossible for the industry to finance the higher priced stocks."

The problem is profits. Contrary to public belief, the oil companies are not making big profits in New Zealand, as far as they can be guestimated.

At all stages in the importing, refining, wholesaling and retailing of petrol and associated products, prices and profits are strictly controlled.

The Government recently increased the companies' profit margin on wholesaling assets from 11.5 per cent to 13 per cent before interest charges. That, the companies claim, did little more than meet the interest charges on the increase in stocks during 1979.

Shell managing-director David Tudhope was recently quoted as saying that the companies were paying up to 19.5 per cent interest on stocks, although the rate has eased recently.

The problem has been exacerbated since Opec countries flexed their oil muscles and nationalised their own resources, imposing higher prices and taxes on the black gold.

With their upstream profits eroded the oil companies are now seeking higher returns from the distribution and retailing of petrol.

In New Zealand price and profit control dates back to the days when the companies were more interested in sales and market share by gallons than profits. Profits then came from owning oil wells.

Inflation, constantly fuelled by and fuelling higher oil prices accompanied by high interest rates, is making the imposition of controls uncomfortable.

The companies make large stockholding profits from Opec price increases. In less restricted economies, such as Britain, Opec price rises are quickly translated into higher pump prices producing substantial windfall profits.

An industry source said this enabled the companies to finance the higher priced stocks from internal sources or by giving them a greater ability to borrow. But the motorist pays.

In Britain, petrol costs about $3 a gallon (66c a litre, compared with the domestic price of 54c).

But the British motorist, fortunate enough to be passing through Birmingham, Manchester or other cities where petrol pump competition is fierce, can often get substantial discounts.

In 1976 a Commission of Inquiry into the distribution of motor spirit and ancillary products recommended that the wholesaling margin on petrol be raised from 11.5 per cent to 14.25 per cent and be adjusted to stay within a range of 13 to 15 per cent.

David Tudhope . . . 19.5 per cent interest on stocks

Until this year, the Government has ignored those recommendations.

Energy Minister Bill Birch told *NBR* that there were other factors to consider. Until 1978 the Government maintained a surplus in the oil wholesaling pool account for the purchase of oil, once it had passed through the Marsden Point refinery, or when imported in refined form.

The companies had been allowed to use the surplus to finance stocks, he said.

The Government now intends to increase the surplus to $25 million.

Although the Government and the companies like to treat New Zealand as an individual market, Birch said it had to be recognised that the four wholesalers were backed by the huge resources of parent companies (which have recently reported enormous profits).

Stocks of refined products, principally petrol, make up 85 per cent of the companies' wholesaling assets for the purposes of working out profits. On those stocks, by the Government approved formula, the companies can make a 13 per cent profit. But when interest rates for normal borrowers are several percentage points in excess of that return, stockholding returns an effective loss.

Last year oil company wholesale stocks are understood to have increased by $160 million while Opec market crude more than doubled in price.

But the motorist paid only an extra 64.5 per cent as prices increased from 31.6 cents a litre to 52 cents a litre in the year ending March.

By volume the port petrol stocks increased by 35 per cent as measured by the Ministry of Energy, while pump sales, recorded by the National Roads Board, dropped 5 per cent.

The combinations are bad news for the companies. Birch pointed out that not one has yet threatened to pull out should further margin increases not be granted.

The attraction in staying can hardly be Maui gas. The Government's reluctance to burn gas to generate electricity has slowed down the Maui gas extraction rate and, more importantly, the condensate on which the partners, Shell BP Todd, expected to make the greatest profits on their share of an investment already in excess of $575 million.

Hotel deal opposed

by Gordon McLauchlan

OPPOSITION is mounting to the 400-room, $30 million Sheraton Hotel deal being negotiated in Auckland by accommodation entrepreneur Rob Tennent, the Development Finance Corporation and Air New Zealand.

Sources in the private sector of the accommodation industry claim the Government is using the DFC and Air New Zealand to disguise the fact that public money would be used to build a hotel which would compete with private commercial operators on a declining market.

Private-sector hoteliers say they have no objection to competition from any new hotel that is built on a commercial basis, facing the same kind of problems and costs as those who have put up the equity for other major properties.

The hoteliers say Government pressure is being applied to ensure that the DFC supports a proposal it might not otherwise approve and that Air New Zealand is being used to inject low-cost Government money into the project. The Government's role should be to support industry development generally and not to pump money into individual projects competing with private operators.

The proposed location of the hotel – on a site bordering Symonds Street and Karangahape Road – has also been criticised. It is felt that if the Sheraton was built there it would discourage for many years other developments on better sites.

There has been some suggestion concerning the involvement of Tennent in a major project involving public money. He was disbarred as a lawyer in 1969. Since then he has developed the Devon Motor Lodge in New Plymouth into one of the major accommodation operations in Taranaki.

It is understood the DFC has been negotiating to buy out Tennent's interest in the project. Earlier, an overseas

Continued on Page 6

The week

Letter sparks controversy

EAST Coast Bays' mayor Allan McCulloch's resignation from the National party blew up inta a political controversy. The party claimed it didn't have a hand in the letter, which was written by the branch public relations officer.

POLISH strikers went back to work after having all their demands approved by Government making them the first independent trade unionists in the Soviet bloc.

ELECTORAL rolls will now be revised every three years and the Post Office will be responsible for compiling them.

THE Government increased Auckland Harbour Board tolls by 25 per cent, effective from October 1.

PROPOSALS to have the Christchurch airport runway extended were pushed aside by the Government.

SOCIAL Credit's candidate for the East Coast Bays' by-election, Gary Knapp, was the target of another smear pamphlet against the League. The Labour Party denied any involvement with the pamphlet.

AIR New Zealand wants to renegotiate its agreement with Japan Airlines on the air link between the two countries because disparities have arisen in the number of passengers each airline carries. Air New Zealand has postponed introducing its wider capacity DC-10s on the route and as a result Japan Airlines has been carrying more passengers.

PAPUA New Guinea troops arrested Vanuatu rebel leader Jimmy Stevens and about 2000 of his supporters, putting an end to the three-month-long armed rebellion.

PRIME Minister Rob Muldoon embarked on his longest and most far-reaching overseas trip which will take him to India, China, North America, Bermuda and Mexico over a period of six and a half weeks.

THE Government signed an agreement guaranteeing supply of electricity to the Fletcher-CSR-Alusuisse consortium.

NATIONAL Party president George Chapman warned members of his party at the Dominion Council against complacency while he pointed to difficult world conditions and only a five seat advantage over Labour.

THE terms of reference of the Thomas Commission of Inquiry may be modified in the light of the court decision which ruled that the commission had been acting on a wrong impression of the meaning of Arthur Allan Thomas's pardon.

AIR traffic controllers chasing after more lucrative overseas job offers are leaving behind lower standards here.

THE Fruitgrowers' Federation turned in a record profit of $1.14 million for the year.

A COMMISSION of Inquiry into freight-forwarding began.

BOTH the Labour Party and counsel for Audrey and Jim Fitzgerald were refused permission to take part in the Commission of Inquiry into the Marginal Lands Board Loan row which would have allowed them to cross-examine witnesses.

SOUTH Island consumers of LPG got an increase of 10c a litre on the freight subsidy for the gas bringing down its delivery price by 10c.

THE date when the Commission of Inquiry into the Abbotsford landslip reports its findings has been extended from September 1 to October 31.

The business week

NZ Mator Carpuratlon Ltd was granted approval by the Examiner for Commercial Practices for its wholly-owned subsidiary **Graup Rentels** to buy 60 per cent of the shares in **Rentacalour NZ Ltd.**

Marac Holdings Ltd has reached agreement with **Mercantile Mutual Insurance Co Ltd** of Australia to buy 63 per cent of the shares in **Greater Pacific Finance Ltd.**

Mauri Brothers and Thompson Ltd will pay a final ordinary dividend of 7c on October 17.

MIM Holdings Ltd reported an audited tax-paid profit of $203,566,000 for the year to June 30 ($102,736,000 last year). A final dividend of 18c is payable on 10.

British Office Supplies (NZ) Ltd reported an audited tax-paid profit of $172,800 for the year to March 31 ($196,062 last year). A final dividend of 5c is payable.

CRA Ltd reported an unaudited tax-paid profit of $11B,010,000 for the six months to June 30 ($67,161,000 same period last year). An interim dividend of 9c is payable on November 6.

Freightways Holdings Ltd reported an audited tax-paid profit of $6,207,000 for the year to June 30 ($4,781,000 last year). A final dividend of 5c is payable.

Hawkins Holdings Ltd will pay an interim preference dividend of 3.25 per cent on September 22.

Commercial Bank af Australia reponed a tax-paid profit of $A38,222,000 for the year to June 30 ($A36,377,000 last year). Final dividends of 10c for ordinary shares and 40c for preference shares are payable on October 24.

Mantana Wines Ltd reported an audited consolidated profit of $4,473,999 for the year to June 30 ($3,502,024 last year). A final dividend of 11.5 per cent is payable on November 3.

Jaseph Nathan & Co Ltd was taken over by **Tatra Industries Ltd** after getting the approval of the Examiner of Commercial Practices.

E Liechtenstein and Ca Ltd reported an audited tax-paid profit of $900,767 for the year ($318,710 last year). A final dividend of 4.5c is payable on October 29.

Scatt Graup Ltd reported an audited pre-tax profit of $1,150,145 for the year to June 30 ($807,749 last year). A final dividend of 5c is payable on October 17.

Warmald Internatiaual NZ Ltd reported an audited tax-paid profit of $1,157,312 for the year to June 30 ($1,152,946 last year). A final dividend of 9 per cent is payable.

Optical Holdings Ltd reported an unaudited tax-paid profit of $105,500 for the six months to June 30 ($17,500 same period last year).

The week ahead

MONDAY: Energy Minister Bill Birch leads delegation to the world energy conference in Munich.

Visit by 10-member trade mission from the British Engineering Industries Association.

Canada's Economic Development and International Trade Minister Horst Schmid makes official visit.

Commerce Commission trade hearing on the refusal of Dominion Breweries and Lion Breweries to supply the Duke of Marlborough Hotel.

TUESDAY: Commerce and Energy select committee looks at the Companies Amendment Bill.

Defence select committee looks at the Armed Forces Amendment Bill and the Defence Amendment Bill.

Electoral Law select committee looks at the Electoral Law Amendment Bill.

Labour and Education select committee looks at the Shop Trading Hours Amendment Bill.

Statutes Revision select committee looks at the Legal Aid Amendment Bill and the Crimes Amendment Bill.

WEDNESDAY: Commerce and Energy select committee looks at the Companies Amendment Bill.

Labour and Education select committee looks at the Shop Trading Hours Amendment Bill.

FRIDAY: Trade and Industry Minister Lance Adams-Schneider visits Adam and Robertson Shoes in Auckland and addresses Law Graduates' Association luncheon.

Exchange rates

London	[illegible]
United States	[illegible]
Canada	[illegible]
Australia	[illegible]
Fiji	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
Hong Kong	[illegible]
India	[illegible]
Italy	[illegible]
Japan	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia & Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Papua-New Guinea	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sri Lanka	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
Thailand	[illegible]
West Germany	[illegible]
Western Samoa	[illegible]

The week

Aluminium foundry: Ford faces grind with unions

by Allan Parker

A PROPOSAL to build a massive new foundry to produce aluminium cylinder heads for export and provide up to 400 new jobs is under study by the Ford Motor Corporation.

Investment in the new plant would be up to $600 million, according to managing director Joe Auton.

The plant would be based on the proposed increase in aluminium production. The company is still investigating, among other factors, siting for the plant. Choices are next to the smelter or Auckland.

The investigation was undertaken by the company at the suggestion of Government officials and follows hard on the heels of the company's announcement that it is investing $8 million in an Auckland-based plant to produce aluminium wheels for export.

The only trouble, according to Auton, lies in convincing the industry's uncertain unions that the proposals assure a strong motor vehicle industry presence in this country.

Certainly, the future of the industry is surrounded by doubt and hesitancy. The leaking of the Trade and Industry draft paper on restructuring of the assembly sector from CKD to CBU units has alarmed the workforce.

But, Auton told *NBR*, Ford at least was confident in New Zealand. That confidence was underlined by the news of the aluminium wheel assembly plant. It is strengthened by the cylinder head study.

But there are also new developments in the car assembly operations. These stem from the 25 per cent shareholding taken out in Japan's revitalised Toyo Kogyo company, producers of Mazda.

That move has enabled Ford to match competitiveness with its rivals. A critical factor has been that Ford's component sourcing came from the pound sterling area. As sterling strengthened, the company's New Zealand operation lost $6 million last year in foreign exchange losses.

Allied to this, the Japanese motor industry has now captured 60 per cent of the world market.

The Japanese connection has been swiftly put into operation in New Zealand and new products from the Ford assembly lines will begin to reflect this next year.

The Escort, for example, is on the way out (as in Britain). The car will be replaced with Mazda's front-wheel drive Laser, which will be assembled at Wiri. A light van, the Econovan will replace the Escort and be produced at the Lower Hutt plant.

Finally, *NBR* understands that the popular 'D' series heavy truck wil be replaced by a new model, the Delta.

The company, Auton said, will continue Cortina production, extending the range with the new V6 Cortina Ghia model to compete with, among others, the Commodore.

These plans, he said, emphasise the confidence Ford has in the New Zealand vehicle industry.

"Our plans certainly include remaining in assembly. Our primary business is the making and selling of cars, trucks and tractors; we believe we have a long-term future in New Zealand."

Investment in the new Laser model will be over $1 million, illustrating, Auton said, Ford's continuing commitment to capital investment in the assembly business.

But the company is increasingly interested in component assembly for export — a move feared by unions as a step toward the production of a "world car" by the giant multinationals in which car assembly will disappear from the New Zealand scene.

Explained Auton: "The car industry in New Zealand has been one of the giant consumers of overseas funds; we believe it is possible to change that by moving into production fur export."

Component manufacture, he thinks, is a core element if such a turnaround is to be achieved.

Further possibilities in this field include production of manifolds, carburettors and pistons — all made from New Zealand aluminium.

Auton said: "Ford is not in aluminium componentry manufacture anywhere in the world; the same applies to GM."

Thus, increased aluminium production offers New Zealand a market gap opportunity which Ford is keen to exploit.

NBR understands that some of the motor vehicle companies here are already discussing ways of pooling resources to produce integrated components.

The multinationals would be keenest on this, with the New Zealand-based companies reluctant to commit themselves to this type of venture.

Both Todd and the New Zealand Motor Corporation have told the unions that they do not want to switch from their present pattern of production. However, uncertainties in the political and economic climate might force a change in attitude.

The unions are clearly upset by prospects that their assembly industry will get knocked about by an increase in CBU units in exchange for export-oriented component manufacture.

But change is inevitable within the industry if it is to be efficient; certainly some rationalisation will be required.

Ford has recognised this but faces a long battle to persuade the unions that its plans for the future include continued employment.

Knox gives book launch the cold shoulder

CONSPICUOUSLY absent from the Auckland launching of Sir Tom Skinner's autobiography were his successor as FOL boss, Jim Knox, and Auckland trade union chief Bill Andersen. They were invited but didn't turn up.

Perhaps it was just as well, with Bob Hawke giving stout, unequivocal support for the Polish trade unionists in their fight "against the apparatus of the State".

Hawke said he was pleased to note that Australian Prime Minister Malcolm Fraser had spoken in support of the right of the Poles to have free trade unions ("and so he should") but added it was strange coming from a man who, more than any other, had tried to deprive Australian trade unionists of their freedom of action.

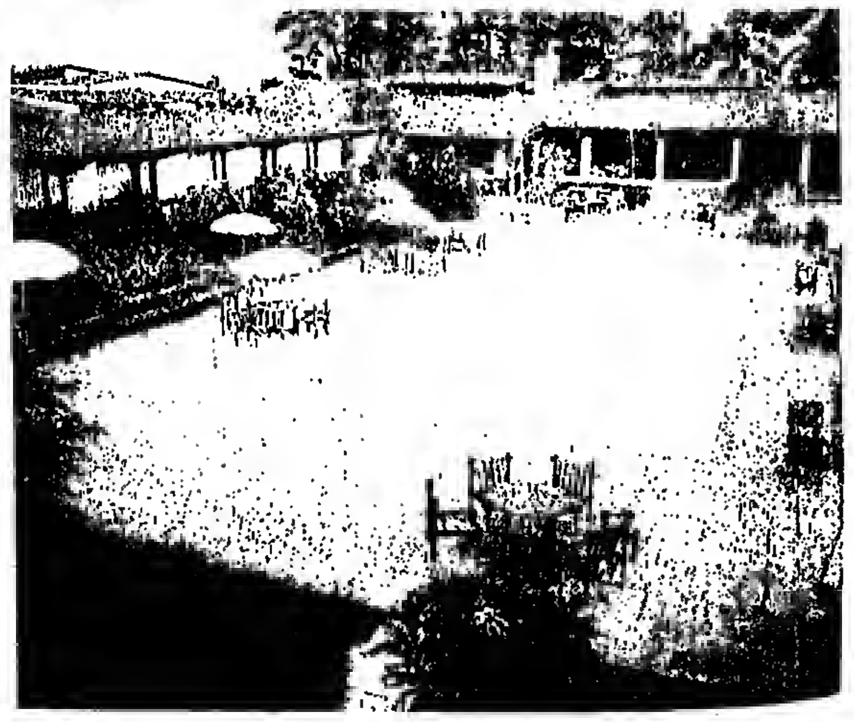
Apart from Knox and Andersen, just about everyone else, looking left, right and centre was at the Trillo's function — Ian Fraser (as compere), former Governor-General Sir Denis Blundell, former Labour Minister Peter Gordon, Opposition Deputy Leader David Lange, Auckland Mayor Robbie, property tycoon and fellow Whitcoulls author with Sir Tom, Bob Jones, and a radical feminist now living in New York.

Hawke, tipped by some as a future Australian Prime Minister, talked to a sales and marketing executives luncheon and gave the keynote speech at Trillos, showing what a fine all-rounder he is as a personality — well educated, fashionably suited, extraordinarily articulate and yet with a sundowner's seamed face and a voice as Ocker as a stiff-arm tackle. The Labour Party here should try to clone.

Auckland: South Pacific Hotel

Wellington: Hotel St George

Wellington: Hotel Waterloo



Christchurch: Hotel Russley

The week

Benefits for business recognised in viewdata report

by Stephen Bell

THE report of the Communications Advisory Council on viewdata points to the benefits to the business community that would result from viewdata services here.

The CAC recommends that the Government give clearance for a "limited" viewdata service to be started.

The viewdata concept, allowing information from computer databases to be received through a modified television set, could be of particular value in the context of commercial information, says the council. The service could help to "improve business decisions and planning".

The form of viewdata service preferred by the CAC is to allow several operators to administer their own databases and computer equipment in accordance with an agreed standard.

The Post Office's role would be reduced to that of providing a "switch" to channel database information to users' home or business television terminals.

The switch would also maintain a centralised index and, eventually, provide centralised billing for the use of the service.

This is in striking contrast to the British Prestel system, pioneer of the viewdata concept, whose central computers and databases are controlled by the British Post Office.

The more independent line recommended by the CAC is similar to the system being set up by the Bundespost in West Germany.

While Post Office control would allow a more co-ordinated approach to the set-up of viewdata, it involves implications of monopoly, which the council sees as undesirable.

"There would seem to be special dangers in allowing the operation of a monopoly, whether it be a public or a private monopoly," says the report.

It is not the council's idea to allow a complete free-for-all; standards for the transmission of viewdata information should be determined, it says.

The Post Office will have "a key role in ensuring that the best interests of both telephone users and subscribers (to any viewdata system implemented) are protected", said Hugh Templeton, head of the Cabinet committee on communications, in his response to the report.

The CAC's report is only a recommendation. The final decision on whether to set up even a limited viewdata service rests with the Government.

More general implementation of viewdata, the CAC recommends, should be postponed until a further "in-depth" study of the question has been completed. Such a study is likely to take about three months.

Much of the input for such a study is expected to be provided by parties responding to the publication of the report.

The published version includes most of the material assembled by the council. Confidential company information is the only significant omission.

It seems doubtful that any significant viewdata presence could be established much before the completion of the in-depth study.

A spokesman for Fourth Estate, which is involved in one of the two viewdata consortia, estimated that the company "could have something going within two months".

CBL, the computer bureau element of the other consortium, regards it as "optimistic" to expect any establishment of a service before the end of the year.

Emergence of a viewdata service would depend not only on the setting up of equipment by the database operators and the Post Office, but also on the availability of modified television sets to act as terminals into the system.

Neither of the television manufacturers involved in the consortia, Thorn and Fisher & Paykel, appeared optimistic on production of terminals in the short term.

One of the more important points for consideration before the setting up of a general viewdata service is the loading which this would impose on the telephone network.

The council sees it as more efficient for at least part of the requirement to be provided by "special purpose communications circuits", allowing several users to share one line.

The report also calls attention to the privacy implications of a viewdata network, but neither CBL nor Fourth Estate saw this as a significant problem. The information initially on the system would not be of a sensitive nature, they said.

The council floats the idea of some form of privacy legislation similar to the Wanganui Computer Centre Act.

The possibility of defamation through information available on the network is adequately dealt with by current legislation, says the CAC, but some legislation to regulate the passage of information across national boundaries might be necessary, to prevent foreign companies using business information to New Zealand's disadvantage.

Tourism slump brings hotel need into question

Continued from Page 1

consortium including General Atlantic, of Hong Kong, was interested in buying in but decided against it after negotiations with Tennent.

Tennent bought the three-acre site for a shade over $2 million, including a retail furniture shop and other buildings behind which the hotel would be built. The value of the actual building site has been put at about $1.4 million.

Real estate sources claim the price was fair enough for specific use, but it could be hard to resell if a deal didn't go through for a hotel.

Tennent has already had DFC help to finance his land purchase. He holds the Sheraton franchise in New Zealand and once a hotel had been built he would be responsible for the management contract here.

Also, tourism has bit a slump and the picture is changing so fast, the need for another big hotel is now being questioned.

Sources within the industry say an approach is being made to the Tourism Advisory Council to revise downwards the growth projections it issued in 1978 for the 1980s. These targets are used by the Government for gauging incentives for growth within the industry.

The target for growth is 8 per cent annually in international visitor numbers and 5 per cent growth in domestic tourism. But there has been a decline in the number of foreign holidaymakers coming here over the past two years (to the end of May, the latest figures available), and reports say the decline is steepening.

Trans-Tasman traffic is reportedly down 15 per cent, and the number of Americans coming has plunged since May, following a huge 50 per cent increase in the first four months of the year.

Domestic tourism and business travel within New Zealand is sharply in decline — by as much as 10 per cent.

One leading tour operator has said that with economic problems worldwide — specially in North America — and with travel within the country curbed by high air fares and petrol costs, there is no evidence that points to growth in the industry in this country in the short or medium term.

The Tourism Advisory Council targets were used in the Air New Zealand projections for the number of hotel rooms which will be required in Auckland by 1984. The state of the industry at the moment, industry sources claim, invalidates these figures.

Since 1978 more than 500 rooms have been added to the Auckland total with a new hotel, the Townhouse, additions to Vacation's Logan Park, and new first-class motel properties.

Even if a decision was made immediately on the Sheraton proposal it would not come into operation until the end of 1982 at the earliest.

One estimate based on the 5 per cent and 8 per cent growth projections puts the number of hotel room/nights in Auckland in 1984 (including a Sheraton and all other planned hotels) at around 615,000 and predicts occupancy rates at an uneconomic 50 per cent.

Without that growth — and it has not been approached since the targets were issued in 1978 — occupancy rates could be disastrous. The Townhouse, completed eight months ago, is currently running at an occupancy rate of 30 per cent, although there have been claims that the hotel has not been strongly enough promoted.

Tennent and the DFC have been saying for some weeks that an announcement on the Sheraton project is imminent, but there may now be some strong reappraisal following growing objection to the style of the proposal.

Comment

Editorial

CHARLES Colson – the Watergate co-conspirator who has been touring New Zealand as a born-again Christian – in 1972 denounced the *Washington Post's* coverage of the Watergate affair as "unconscionable" and declared that its impact was to "erode somewhat public confidence in the institutions of government". He took issue with the implications of the *Post's* Watergate articles: "The charge of subverting the whole political process," he said, "that is a fantasy, a work of fiction rivalling only *Gone with the Wind* in circulation and *Portnoy's Complaint* for indecency." Soon after, like many of his friends, he departed the White House.

His concern that the public have confidence in institutions of government is similar to the concern recently expressed by Prime Minister Rob Muldoon. Muldoon has questioned the integrity of the civil service.

Last week – in his *Truth* column – he complained that a discussion paper on the future of the transport industry – prepared by Ministry of Transport officials to be put before the Transport Advisory Council and canvassing a fundamental overhaul of the nation's transport system – was made public through an *Eyewitness* programme. "As a simple matter of integrity, it should not have found its way into the hands of the news media," Muldoon said.

Why was the programme necessary? Muldoon wanted to know. Public enlightenment does not appear to have struck him as an obvious answer.

Muldoon questioned the position of the Broadcasting Corporation, suggesting it is "perhaps somewhat different from that of a private television company", pointing out that the corporation is ultimately responsible, and reminding the board that the Government has the right to appoint the directors – it would be "a very indirect way of expressing the Government's displeasure at these antics to start sacking directors one by one as they come up for re-appointment".

The board was responsible not only for programming standards, but also for ethical standards, he said in a clear attempt to persuade the board to define ethics in a way that will make life more comfortable for the politicians.

More disturbing for those concerned to generate a greater flow of information from the administration, he said the Minister would be justified in taking action to find out how the material got into the hands of a television producer and referred to the British case of Granada Television, the subject of a court ruling endorsed by the House of Lords that a journalist has no protection in law when he is in unauthorised possession of documents and that he must give evidence if called on as to how he acquired them. "This 'protection of sources' thing is a myth, assiduously promulgated by journalists, but it has no foundation in the law," Muldoon said, (no doubt hoping that his promotion to the front benches of Colin McLachlan would be rewarded immediately by compliance in the tracking down of the ministry leak and perhaps in invoking the provisions of the Official Secrets Act).

Under the Official Secrets Act, it is an offence for a civil servant or a Government contractor to make an unauthorised disclosure of information which he has learned about in his job, and it is crime to receive that information. The effect is to curb publication; a reporter who breaks the law by receiving unauthorised Government information reveals his crime by publishing it. The legislation covers all kinds of records and information, in any form, written or verbal, regardless of whether it applies to the national defence.

The Act requires that information be released only with Ministerial approval. Of course, if the media would stick to reporting only what the Prime Minister and other Ministers allow, there would be no problem – at least, for the politicians. Their "secrets" usually turn out not to be secrets at all. They are official embarrassments. And a great deal of embarrassment would be hidden if the media could not probe beyond what the politician says is the truth.

On August 29 1972, President Nixon set out to lay the Watergate matter to rest. "Within our own staff under my direction," he said, "counsel to the president, Mr Dean, has conducted a complete investigation of all leads which might involve any present members of the White House staff or anybody in the Government. I can say categorically that his investigation indicates that no-one in the White House staff, no one in this administration, presently employed, was involved in this very bizarre incident." The world now knows better.

Early in 1978, responding to questions about the La Varis affair in the Trade and Industry Department, Lance Adams-Schneider insisted there was "no dirt under the carpet". "I'm quite clear of that," he said. "The only worry I have is that a confidential piece of information in any importer's file somehow or other has been leaked to the media." He then had before him a report from his departmental head. He would not confirm anything about the report, but he said he had every confidence in the integrity of his officers as far as import licensing applications were concerned. But before then and after, one officer was acting in a way which department Secretary Harry Clark described after the recent "secret" trials in Wellington High Court as improper.

Late in 1978, the department in which Adams-Schneider expressed confidence was shaken up by the Ombudsman's report on the granting of import licences to R J La Varis Ltd. This report confirmed that the licensing procedure suffered from excessive secrecy and that the company had received unusual treatment. The affair led to the department's reforming the system – improvements that resulted only because of an independent scrutiny by the news media which would not have been possible without some department officials disclosing information which was not officially for the com[illegible]. A *prima facie* breach of the Official Secrets Act resulted in a tangible improvement in the operations of a major department of state.

The court ruling in the Granada case requiring the naming of the source of the information about British Steel, which [illegible] $1313.5 million in the last financial year, will inhibit media investigation of corruption, malpractice and incompetence. Informants will be reluctant to make confidential disclosures; journalists will be unable to guarantee confidentiality; secrecy will be bolstered; cover-ups will be encouraged. In other words, the ruling places a severe restraint on the traditional function of the media to find out the truth, so as to promote sound government and administration. [illegible] inquiring press is reliant on sources to inform [illegible] information which the public has a legitimate interest in knowing, but which [illegible] from it by those who prefer to conduct their affairs in private.

Politicians traditionally take umbrage when journalists try to tell the truth about what they are doing. The journalist [illegible] may lead to an award for investigative journalism. It may also lead to contempt, arrest, indictment, and jail. The truth [illegible] supposed to make us free may result in imprisonment of both journalist and informant. When reporters are prosecuted [illegible] prevented from publishing certain facts [illegible] information about government, the media [illegible] no longer free. It is censored and regulated. That, of course, is inconvenient for the p[illegible]. It is ominous for the public which depends on the media for the information [illegible] which to base intelligent decisions about politics and government. Ironically, [illegible] who receive the most protection from secrecy are not the politicians but the [illegible] servants, whose lack of productivity and efficiency is said to concern at least some of Muldoon's Ministers.

— Bob [illegible]

Brockie's view

PO's way of stamping out efficiency

"TODAY'S dirty word is inefficiency, not profit," said Rob Muldoon in his last Budget speech.

Angry businesspeople can quote that phrase when complaining about the Post Office's 100 per cent increase in postal charges for bulk mail and registered publications.

Auckland businesspeople have been visited in recent weeks by a pair of Post Office liaison officers, who have been explaining the new charges.

Why send two senior civil servants to explain a simple matter when one or none would do? they are wondering.

But they are so angry at the new charges, it has been suggested the Post Office officers might have to travel in pairs for their safety.

The 100 per cent increase on top of a $70 million Post Office profit in the year to March 31 should leave the department with a lot of embarrassing cash. Some will be disposed of not by improving services, or cutting charges, but by proliferating bureaucrat numbers.

The Post Office Liaison Service now will be called the Customer Relations Service. In Auckland, the number of public relations firefighters will be doubled from two to four. Their job is to sell the Post Office to the business community and perhaps apologise for recent increases.

So when businesspeople start paying double postal charges in January, they can take some solace in the realisation that their heated complaints to the Post Office, at least, has produced new jobs for the swelling ranks of civil servitude – even though it produces no better service or the efficiency mentioned in Muldoon's Budget.

One-man band hits a sour note

TRADE and Industry Minister Lance Adams-Schneider has again exposed himself to the slings and arrows of outraged consumers.

When Hamilton-based engine re-conditioner Warren Smith did the consumer a favour by bringing in sets of Repco pistons from Australia for $76 instead of paying Repco's New Zealand subsidiary $360 or so for an identical set, Adams-Schneider clobbered him by taking away his import licence.

Adams-Schneider later justified the move in Parliament, saying Australia had different distribution costs and Smith's cheap pistons might have endangered employment here.

He did not name Repco (NZ) Ltd. But it is this 60 per cent Australian-owned company [illegible] makes the pistons here – so, is Repco [illegible] the brink of financial collapse and ready to [illegible] people if Smith's one-man show continues?

In spite of Smith, Repco NZ recently [illegible] nounced a tax-paid profit of $911,70[illegible] healthy dividend of 14 per cent. And who [illegible] wish to endanger that fine result by allowing [illegible] of competition.

NATIONAL BUSINESS REVIEW
Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor.
News & Features:
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder
Contributing:
Finance: Peter V O'Brien
Auckland Bureau:
Warren Berryman
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Advertising Sales:
Manager: Paul A C S Loh
Promotions:
Manager: Kathi Scott
Circulation:
Manager: Jan Chea
Auckland Office:
2nd Floor, Levins Building
Cnr Airedale & St Paul Streets, Auckland
Tel: 799-304
Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington NZ
PO Box 9344
Tel: 736-876
Cables: Natbus
National Business Review incorporated [illegible] and is a registered publication weekly (except for last week December and first two weeks January).
Typeset and composed by Computype [illegible] Ltd, Wellington. Printed by [illegible] 11B Kapiti Road, Paraparaumu.
Single copies: 80 cents
Subscription rate: NZ$30 [illegible]
Member ABC (Audit Bureau of Circulations)

Comment

Academic activity hidden from public eye

by Judith Aitken

A PUBLIC interested in how the universities are spending its money won't find many answers in the University Grants Committee's annual report to Parliament. Nor will it learn much about the nature of costly university research, or even the identities of the people who are making important decisions about the direction of academic activities.

The Government allocated $296,770,000 for the quadrennium approved on October 28 1975, and provided funding of $391,452,000. The amount funded each year included the general salary and wage escalation granted.

The UGC might reasonably expect that the taxpayers who provided that sum would be interested in the report to Parliament to see how it was spent. But the report is less than satisfactory as a public account.

The UGC is chaired by Dr A T Johns, but the report does not make clear, for a start, just how many members form the committee.

Johns and the four who are named (F R Askin, Professor J D Gould, J C Fair and W H Dawson) are apparently appointed by the Govenor-General for a five-year term.

The report gives no clues to the qualifications, interests or experience of these people. There are apparently no women on the UGC.

Although the question of funding for the universities is discussed in the report, there is no indication of how the committee is funded, and only the most general picture of its powers and functions is provided.

The recent controversy over the loan moneys made available to the Fitzgeralds adds piquancy to this question.

The report mentions various sub-committees or bodies associated with the UGC. In 1979, for example, the UGC decided to appoint "a committee to review selected university activities in the light of likely academic developments and individual and community needs".
needs".

No further definition of the committee's terms of reference, anticipated length of term, specific objectives, funding or secretarial facilities is provided, but membership of this committee is listed: Professor Brownlie, vice chancellor of the University of Canterbury (chairman); J C Fair, UGC member, and director of British Petroleum, NZ, J H Ingram, member of the Auckland University Council and managing-director of NZ Steel Ltd.

The UGC reports that "engineering, computer science, social work, financing of research and staffing" will be among the topics that will be given to the committee's "early consideration."

The committee will provide interim reports to the UGC through 1980.

This apparently is an important committee, because its role is "to provide guidelines for university education in the 1980s." Those guidelines should be a matter of public interest, but the UGC report does not address itself to that issue.

The UGC has appointed one R O Pyatt "to report to the UGC on financial management in the universities".

Pyatt took part in a review project conducted a few years ago by the Controller and Auditor-General. But, the UGC report does not mention his qualifications, terms of reference, term of appointment, remuneration or other matters of interest to taxpayers.

A committee (unnamed but chaired by UGC member Professor J D Gould) has been appointed "to report on possible rationalisation of current university courses". The terms of reference, specific objectives, reporting time, and research and secretarial resources are not detailed. It does not appear to be a particularly highly-valued committee, however, because the UGC does not anticipate anything but "relatively small adjustments" in university courses as a result of its activities.

The UGC reports that only 1 per cent (no cash amount is given) of the Government's block grant to universities goes to "research". But "for three of the last five years" the UGC was allocated a total of $2,250,000 which the Research Committee distributed "particularly for large items of equipment."

This equipment is apparently apportioned in relation to "the economic and social welfare of New Zealand (but) without disturbing the right of a university to freedom of choice in its research activities."

The Research Committee allocated some $779,318 (of the $2,250,000) towards research projects. The nature of these projects is not specified.

Some idea of the priorities in the minds of the Research Committee may be guessed at. The report says that the largest amount (more than 32 per cent) went to "medicine" (unspecified), and 32 per cent went to "chemistry". Physics (proportion not stated) was the next "major science recipient."

Zoology, geology, agriculture, engineering, psychology, biochemistry, and microbiology received the larger part of the remaining third.

The social sciences and the arts received – presumably – what was left.

The UGC does not clutter its report with comment on the anticipated value, or return from this apportionment of scarce resources. But the items identified by the committee should provide some guidelines for researchers aspiring to get hooked into sources of public money.

The Research Committee "works through" a "special panel of experts" (unnamed) and "outside bodies" (unnamed) "as it sees fit".

The "special panel" was once chaired by Sir Arthur Neville, first a member of the University of New Zealand Grants Committee in 1954. His successor is not named.

The relationship between the Research Committee's equipment priority (which is "to promote the economic and social welfare of New Zealand") and the research priorities of the various universities themselves is not clear. Consider, for example, the reports from the universities of Auckland and Otago, which are included in the UGC report.

At Auckland university, money "for the replacement of research and teaching equipment" apparently was hard to find. In fact, it seems to have been so scarce that no funds at all were allocated for this purpose by Auckland university authorities.

There was a "reduction" (from what remains unclear) in the allocation of funds at that institution for post-doctoral fellowships. Five were granted.

Doctoral and other post-graduate research provisions are not included for comment.

Auckland university authorities apparently place a high priority on medical research, and the report possibly fills in some of the details on "medicine" which are omitted from the report of the UGC itself.

With the felicitous assistance of the Medical Research Council and other (unnamed) agencies, funding for medical research was "much closer to adequate . . . than was experienced by other sections of the university".

The report notes that $1.746 million was given to "medical research". Twenty-six other projects were allocated $144,350 by the UGC (not, apparently, by the UGC Research Committee or the University of Auckland) and more than 100 other grants totalling $108,287 were made by "the local committee" (whose identity is unclear).

These monies came "largely" from the UGC Research committee and the universities block grant.

It is not obvious whether the various "sponsored contracts" listed by the authors of the Auckland university report were among the 26/108 grants noted earlier, but these "sponsored contracts" include some noteworthy items.

Shell, BP and the Engineering Research Association, apparently provided funds for certain projects (some do appear to have a loose connection with medicine).

BP, of course, would have a particular interest in the allocation of funds (apart from those provided by its own company) because one of its directors is a member of the UGC special new committee, under Professor Brownlie, charged with providing the guidelines for university education in the 1980s.

The University of Otago, contents itself with a 22-line entry under "research activities".

It is difficult to tell from the UGC report how much money Otago spends on research. The Otago University report does little to enlighten us further on the sources of funds, the allocation of funds, or the specific projects or the individual recipients.

It was of "special interest" to the authors of the Otago report that a "major" investigation of New Zealanders' dietary habits and dental health was conducted. The value, relevance, publication, and estimated policy impact of those studies is not discussed in the report.

Otago university authorities do report on "discussion" about Central Otago lignite fields, and a meeting at which "research papers of importance" were presented.

"Special attention" was given to three other topics, but the nature of that attention is not specified.

It is not clear whether actual research projects were associated with these topics. Nor is any question of funding included.

The UGC's chairperson, in his report, observes that it is "research and research training . . . which most obviously distinguishes universities from other institutions of higher education." Eat your heart out, "other institutions".

Judith Aitken is a lecturer in political science at Victoria University.

Without word of a lie

Muldoon at long odds for World Bank

THERE has been much talk recently of Prime Minister Robert Muldoon going to the World Bank to succeed Robert McNamara as president.

Usually, especially in National Party circles, this talk centres on whether Muldoon would want the job. But overseas the perspective is different – would the World Bank want Muldoon?

A lengthy London *Guardian* article recently canvassed the looming vacancy.

Names: Abdlatif al-Hamad, director of the Kuwait Development Bank, Shridath Ramphal, Secretary-general of the Commonwealth, John Turner, former Canadian finance minister (who wants to succeed Pierre Trudeau), Americans Elliot Richardson and Peter Peterson and former British Prime Minister Edward Heath (who'd rather go to Nato).

Inside runner: Andrew Young, fast-talking, hip-shooting, former United States Ambassador to the United Nations. Third World bank directors were said by the *Guardian* to be overwhelmingly in favour and his appointment ("still regarded as the prerogative of the President of the United States") could be electorally helpful to a beleaguered Jimmy Carter.

Muldoon was not even among the also-rans. Peanut farmers, perhaps, have long memories.

Last month the *Australian* came up with more names (but not Muldoon's).

The *Australian* lists Bank of America president A W Clausen and former Federal Reserve Bank of New York deputy president Richard Debs.

And . . . an Australian, James Wolfensohn, 46, a principal of Salomon Brothers, a New York investment banking firm.

Any other favourite sons?

Women better off for sake of appearance

WOMEN's libbers have a tough row to hoe to get equal pay with men. But not in television.

Appearance allowances for TVNZ staff were announced the other day: men, $3.27; women, $4.35.

These allowances were designed to compensate staff for clothing and make-up needed to look good on the box.

Trouble is that with the cost of men's clothes, and blow waves replacing short back and sides, male performers reckon there isn't much of a sexual differential left.

Politics

Now for the high jump: Socred's next 3 months

by Colin James

FROM next week we are going to see more of Social Credit, whether we like it or not.

Advertisements like the one pictured (destined for *National Business Review*) will be appearing in daily and weekly newspapers and magazines.

They have even got a $2 comic book coming out.

This is the league's mid-term campaign, $100,000 all up, designed to give Socred fortunes the sort of boost that will set it up for the run in to the election.

It worked in 1977, when a "take a look at us" campaign brought in 700 new members and provided the springboard for the Rangitikei by-election success. The hope — nay, expectation — is that will do the trick this time.

It will need to. As Bruce Beetham told the faithful in his leader's speech to an annual conference last week that was so devoid of tension that it bordered on soporific complacency, it is critical to get to 25 per cent in the next election of the league to hope to win power in 1984.

And it has been some way short of that figure in the public opinion polls.

The league strategists see policy as the key. They are now convinced that people who voted for it in 1978 and/or are now considering doing so want to know more about what Social Credit stands for. So the ads are aiming to explain social credit (that is, the monetary policies) in simple terms.

A tall order once. Mention the "gap" and eyes glazed over. But nowadays it is easier. Socreds have given up arguing fine detail of Douglas theory.

They have a much more flexible and gradualist approach — recognisably social credit but not at all the sort of thing of which early Douglasites would have approved.

For example, they talk less about "national dividend" now than about wide distribution of shareholdings so that everybody's income is initially supplemented and eventually largely made up of "dividends".

There is something in what the Socreds are saying about people being interested in what they stand for.

Their appeal has hitherto been principally negative — a flight from the two major parties without bothering too much about the destination.

But there is now a detectable voter interest in policies. How great (or small) is impossible to measure, but the league is probably right in taking the tack it has.

The change probably stems from the widening acceptance of Social Crediters as "normal".

Ten years ago, probably even five years ago, they were the "silly party" of New Zealand politics — the party you voted for when you weren't having a vote.

Ten years ago, core Social Crediters, and there weren't many of them, were often highly individualistic, idiosyncratic and right-wing.

The more idiosyncratic and right-wing of them left with John O'Brien in the last great split (of many) in 1972. By 1974-75 people started coming into the league who were identifiably middle New Zealand.

If you talk to people of that era, you find many of them have not read any, or have read little, of Douglas. Their social credit is Hunter credit (Les Hunter, finance spokesman who has largely developed the new more flexible credo).

This trend was fortified in the big membership influx in 1978. Look around a conference now and, apart from more party paraphernalia (hats, rosettes and the like), it looks not too different from a conference of either of the two main parties.

Talk to the delegates and you often find middle New Zealand — conservative, decent, earnest, unspectacular.

Of course, there is still a fair sprinkling of the staring-eye sort, or the naive Values-but-for-an-accident-of-history variety. And they tend still to be more politically ingenuous.

But they have a hand of skilled tacticians in control at the centre, with, since the arrival of Stefan Lipa in the presidency last year, improved administration. And year by year, the balance is shifting in favour of a pragmatic, young-middle-aged image (and white — only seven members in the Maori electorates, according to conference data).

And who is this middle New Zealand Social Crediter? Start with a belief in the family and that women not *have* to go out to work.

Add moral conservatism and a bit more professed christianity than the other parties.

This may account for the fact that it was the remits on social welfare that were the most contentious at last month's conference. On the one hand, a fierce belief that there should be no bludging (and when they have ushered in the new monetary dawn there will not need to be on the other, a christian duty of care for the unfortunate.

The middle New Zealand Social Crediter hates big corporations (particularly multinationals and banks), big unions and the state. They squash the individual, who has a right to a decent living from a small holding, or wages.

Beetham in his leader's address: "A new financial aristocracy linking capital and credit and involving foreigners, banks and local corporations, is rapidly coming to dominate the New Zealand economy...

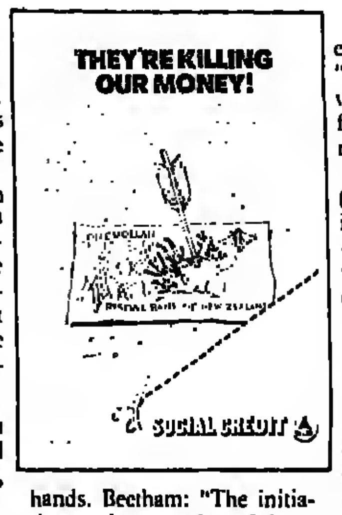
"This new rapidly developing interlocking and mutually supportive relationship between monopolised capital, monopolised credit and monopolised National Government must be broken and fragmented, which can only be achieved through comprehensive financial reform."

So, spread individual ownership, through cooperatives (shades of Values) or share issues.

Beetham: "Monopolies which have grown beyond economics of scale will be fragmented into cooperatives with worker shareholding and, following the lead of British Columbia" (he went there earlier this year) "the ownership of as many public corporations and utilities as possible will be individualised through the issue of free shares.

"...outright individual ownership where possible and, where this is not possible, on the basis of cooperative enterprise..."

And keep it in New Zealand hands. Beetham: "The initiative and enterprise of huge overseas companies coming in to exploit our energy resources with their so-called capital and technological know-how is no substitute for what New Zealanders themselves can achieve..."



Through social credit monetary expansion, of course ... "there is nothing to stop us using our own credit resources for the development of our own natural resources."

Nationalistic, individualistic (though corporate in defence of individualism) and democratic — remits for this conference were predigested by the policy committee and sent back to branches for grassroots voting.

Most electorates called meetings of members (some quite lengthy) to vote "yes", "no" or "debate it" on each of the 150-odd remits. Those with a two-thirds "yea" vote were not debated at the conference. That was the huge majority, suggesting Social Crediters are in agreement to an astonishing degree or can be led easily from the centre nowadays.

This was most of the manifesto revised. So, with a bit more revision at a special meeting next year, it looks as if policy will be ready by the June target date.

Socred also looks as if it will get to or close to its $1 million campaign fund. It has $625,000 in hand or pledged now, enough to pay some organisers and candidates.

Trouble is, the Socreds have been so busy raising money, they have not been getting members in. Or keeping them — official membership is down 3000 on last year.

So, they are off on a membership drive. Target: 35,000 this year and 45,000 next.

And so to votes. The conference delegates were eagerly looking forward to last Saturday's East Coast Bays by-election which they expected to be a publicity springboard for the mid-term advertising campaign.

Most were, or affected to be, grateful to Labour's anti-semite smear tactics, which canvassers claimed were pushing Labour votes their way. Canvassers in other areas confirmed this year's poll evidence that Labour is their main source of converts.

Though there did also appear last week to have been developing in East Coast Bays a touch of 1978-itis in Nationalists' discontent with their once-again less relaxed and more abrasive Prime Minister.

Whether Socred will get its 25 per cent next year cannot yet be answered. But the emerging "normality" of Social Crediters, appearing in person on doorsteps in greater numbers at a time of uncertain party loyalties and backed by a still uneven but increasingly skilled and well-funded organisation, is a credible foundation for the attempt.

Economics

Smelter viability viewed from prime position

Economics Writer

KERRY McDonald, director of the Insutute of Economic Research, has "a desire to encourage a more realistic view of the potential benefits to New Zealand from aluminium industry development".

The NZIER is in a prime positioo to assesa the viability of smelter development because it "acts as a consultant fot Comalco Limited, as well aa for other private and public interests".

McDonald'a knowledge of the subject ia contained in a variety of publications, going back to 1971. Some are available to the public through NZIER.

Hia view of a capacity increase (in smelting) is that "it is economically desirable, given the present state of the economy and the balance of payments constraint on employment to encourage economic growth. It will not be riskless and is likely to put pressure on the electric supply industry. But given a satisfactory development agreement ... the benefits to the commuaity from increased smelting capacity should outweigh those available from a general increase in domestic electricity use, or from deferring electricity developments."

Because of his "long-held interest in the economic viability of Dunedin and Otago", McDonald "can only disagree with the concept of community benefit held by those who seek to exclude, or are willing to risk losing, the benefits of a new primary aluminium smelter".

He admits that "given the level of confidentiality surrounding most relevant industry and government information, and the importance of uncertain future events to industry costs and benefits, a fair level of uncertainty and judgment" is involved.

But McDonald says that "NZIER's consulting activities give us considerable and reasonably reliable knowledge of smelter operating and cost characteristics for both existing and new plants ... although much of the apecific information is confidential and cannot be disclosed in any detail".

An important assumption underlying NZIER's research is that "most, if not all, of the project financing will be from offshore project-oriented funds, which should not affect the flow of funds to other projects.

"The long-term trend in aluminium prices is critical for smelter viability, but uncertain."

NZIER argues that an average selling price of $NZ1500 a tonne in 1979 prices seems about right, noting that the Alcan list price for 99.5 per cent purity-ingot was $1632 per tonne in December 1979 and by the second quarter of 1979 the ingot spot price in Japan was about $US1875.

Working with these prices, NZIER's research ahows that expansion of the aluminium smelting industry by somewhat less than 300,000 tonnes a year would produce a profit for the industry and a national benefit.

Electricity selling prices could go up 2¢ a kilowatt hour and the industry would still make a profit.

On electricity pricing, McDonald argues "whether or not a (electricity) surplus exists, it is unrealistic to deny the concept of sunk costs ... If the market will allow full recovery of sunk costs there is no problem. If it will not, then a pricing policy that secures a contribution to fixed costs is desirable. The concept is widely recognised and applied in economic analysis and by Government and business, and is valid in selling 'surplus' electricity."

NZIER's research suggests that the benefits of such projects are not dependent on the concept of surplus electricity.

To look at the complete picture of aluminium smelting within the local economy, NZIER uses a technique called national benefit assessment. Direct and indirect import and export flows are identified and shadow pricing is applied for foreign exchange values to measure trade effects.

Applying this methodology, NZIER fuund that smelter development gives better than 100 per cent trade efficiency.

NZIER argues that most of the capital used by the smelters will be project-specific foreign borrowing and will not detract from the financing of other domestic projects. This means the investment cost per new job created will be low and suggests that jobs created will not be at the cost of other types of new investment going on at the same time.

And the jobs offered by the expanded smelting industry will act to expand local economic activity.

"All of the costs during construction will be paid for, effectively, in foreign currency in a foreign-owned development, including domestic salaries and wages. Therefore, as domestic spending power is created by wage payments, n matching capacity to pay for imports is created. So the development would fund the foreign exchange capacity for increased import spending.

"Even if there was significant domestic funding of investment the effects are still likely to be beneficial as savings are channelled into productive investment spending. The inflationary potential of excess demand for domestic investment resources must be recognised, specially if a number of major projects were coinciding.

"Changes affecting the aluminium industry through the 1970s have almost certainly improved New Zealand's comparative advantage.

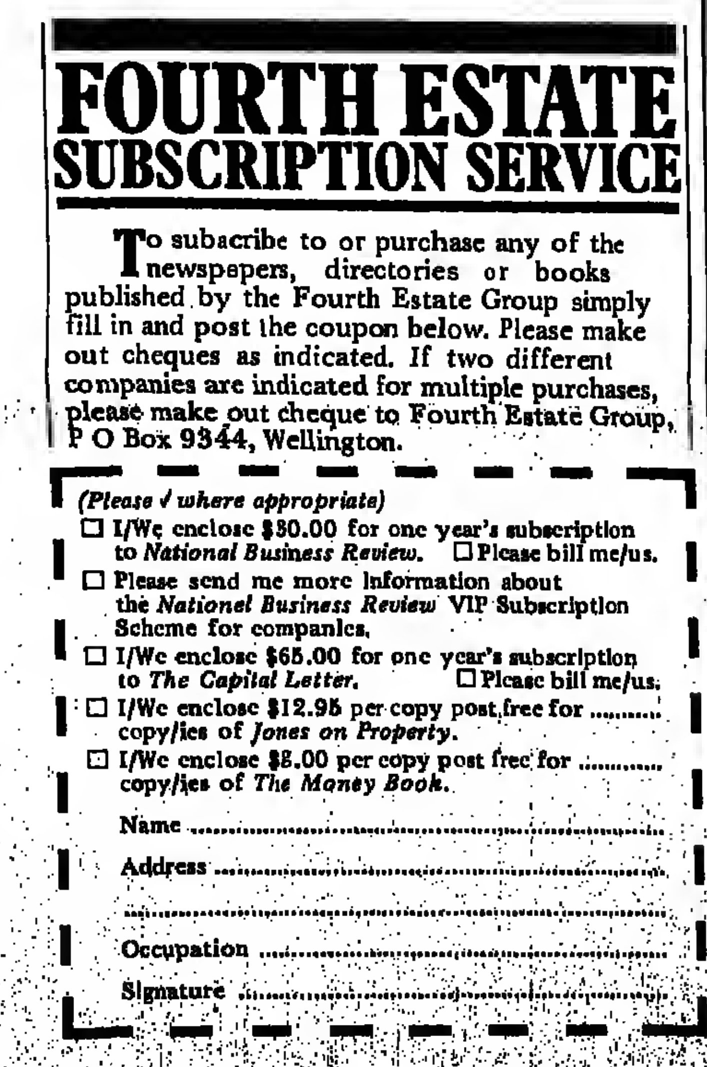
"Transport costs are low to our markets in Asia, we seem to have some electricity available, alumina export volumes from Australia are likely to remain sufficient at least until 1985 and there are a number of development proposals for more downstream production for export on the drawing boards."

If smelter development is advantageous as McDonald seems to think the public's main concern is to see that a good deal is struck between the Government and the main private concerns which expect profit...

DEVELOPMENT of the aluminium smelting industry in the next decade is likely to be one of the most expensive projects in this country's history. Any responsible government would want to weigh up the costs and benefits, taking care to make the best possible arrangements with the many interests involved so that our scarce resources are put to the best use.

Government politicians claim that further development of the aluminium smelling industry will be of great benefit. But the public has been denied access to information showing how the Government calculates this benefit. The only detailed information has been published by the Institute of Economic Research.

These two articles look at the NZIER arguments favouring smelter expansion. The first summarises the NZIER press releases which disagree with Otago University economist Professor van Moeseke, using quotes from the press statement to construct the case in favour of expansion. The second article is an analysis of NZIER's critique of van Moeseke.



Economics

The smelter debate: McDonald analysis appraised

VAN Moeseke is right ... faith is faith and facts are facts.

It's difficult to compare the two.

Kerry McDonald, director of the New Zealand Institute of Economic Research, went public voluntarily. But in the public arena, saying that your data are confidential is no better than saying you haven't any.

McDonald gives enough facts to shed some light on his appraisal of van Moeseke's report on aluminium however.

The first deals with the scale of the project. McDonald claims that van Moeseke focuses only on a 300,000 tonne a year smelter, with no intermediate scales assessed.

But it is a simple matter to multiply the economics by one-third or two-thirds for comparative purposes for smaller smelters — a simple calculation that Energy Minister Bill Bitch failed to carry out before criticising van Moeseke's "errors". Doing this does not affect the economics of the exercise, nor the rate of return, export efficiency, or investment per job on relative scales.

More important, because of the enormous capital investment involved in a smelter, it is standard practice not to establish three potlines at one time.

Van Moeseke assumes standard phasing in, although his theoretical basis for electricity pricing over the three pots varies from McDonalds.

As the Fletcher-CSR-Alusuisse proposal shows, a three-potline smelter of 300,000-tonne capacity is planned with a 7.5 year phasing in period.

Second, McDonald reiterates a frequent criticism that van Moeseke prices the benefits on the basis of $NZ1111 per tonne of aluminium. He claims this grossly underestimates the December 1979 price that the Institute of Economic Research was working with. McDonald says a figure of about $1600 per tonne should have been used.

Van Moeseke did not use a single-month price to control for possible abnormal fluctuations. He took a trend price averaged over all of 1978, and adjusted it to September 1979 using the International Monetary Fund index.

In fact the figure of $1111 came out close to the $1151 average recorded by the Goverament Statistician for April to September 1979. So where does McDonald get his higher figure?

It was common industry knowledge that abnormolly low stocks would push the price up towards the end of 1979 and into 1980.

The $1600-plus price, however, was the spot market price, not the North American producers' list price.

The price continued to rise, peaking in Februory. But in June 1980 the price was back at its September 1979 level (van Moeseke's benchmark) so that, given the United States rate of inflation, it had fallen by about 15 per cent in real terms.

Thus McDonald's figure does not appear to be a representative one, and certainly not a reasonable comparison to van Moeseke's September 1979 figure.

In addition, van Moeseke took his trend figure from actual returns quoted by the Government Statistician. If they are wrong, why is there a discrepancy between real earnings and those reported by Comalco to Government.

Given this, and considering Comalco is a client of the Economic Institute, it is difficult to understand McDonald's assertion that van Moeseke does not use actual New Zealand figures.

Van Moeseke does consider the alternative of using the North American producers' list price ($1324 in October 1979), but the list price for alumina must then be used and this makes the deal even worse than his original outcome.

Again there is no precedent for using this figure, since the earnings reported to Government by Comalco were well below the producers' list price.

In other costings McDonald claims van Moeseke is out by more than 50 per cent.

The argument of total costs is again covered in the addendum to the original report, where van Moeseke cites new evidence (the December 1979 Amalgamated Metal Corporation London Report) which stotes total production costs for a new smelter responsible for its own hydro power to be 48.6 cents a pound. This coincides with van Moeseke's figure of 48.55c a pound.

McDonald may have made the fundamental error of failing to convert van Moeseke's 300,000-tonne smelter figures before criticising them in relation to 200,000-tonne economics.

Third, McDonald specifically criticises van Moeseke for assuming usage of 17,000 kwh of electricity a tonne of electricity used. He claims this is an "old generation" smelter figure and between 14,000 and 15,000 kwh would be closer to actual usage.

This ia another matter van Moeseke addresses in his addendum. He agrees a new smelter uses less electricity but at a proportionately higher capital cost to gain the new efficiencies. And he ahows the difference has no significant bearing on the overall result.

While McDonald claims the usage is "considerably overstated" by van Moeseke, he doea not tie himself down to the "correct" figure in the appraisal.

But he does so in a later publication on the economics of the third pot at Tiwai. In this report — which, in its public form, again substantially argues confidentiality — McDonald specifies the likely characteristics of the project to include 1340 units for 78,000 tonnes, or rather more than van Moeseke's 17,000 units a tonne.

The Fletcher-CSR-Alusuisse proposal argues a lower usage in line with the most modern smelters.

McDonald identifies areas of economic theory where he says van Moeseke is short of the mark. Such disputes must be left largely to economists, but Birch has said van Moeseke's methodology is not disputed, only his figures.

McDonald says "van Moeseke does not indicate whether he means long or short-run

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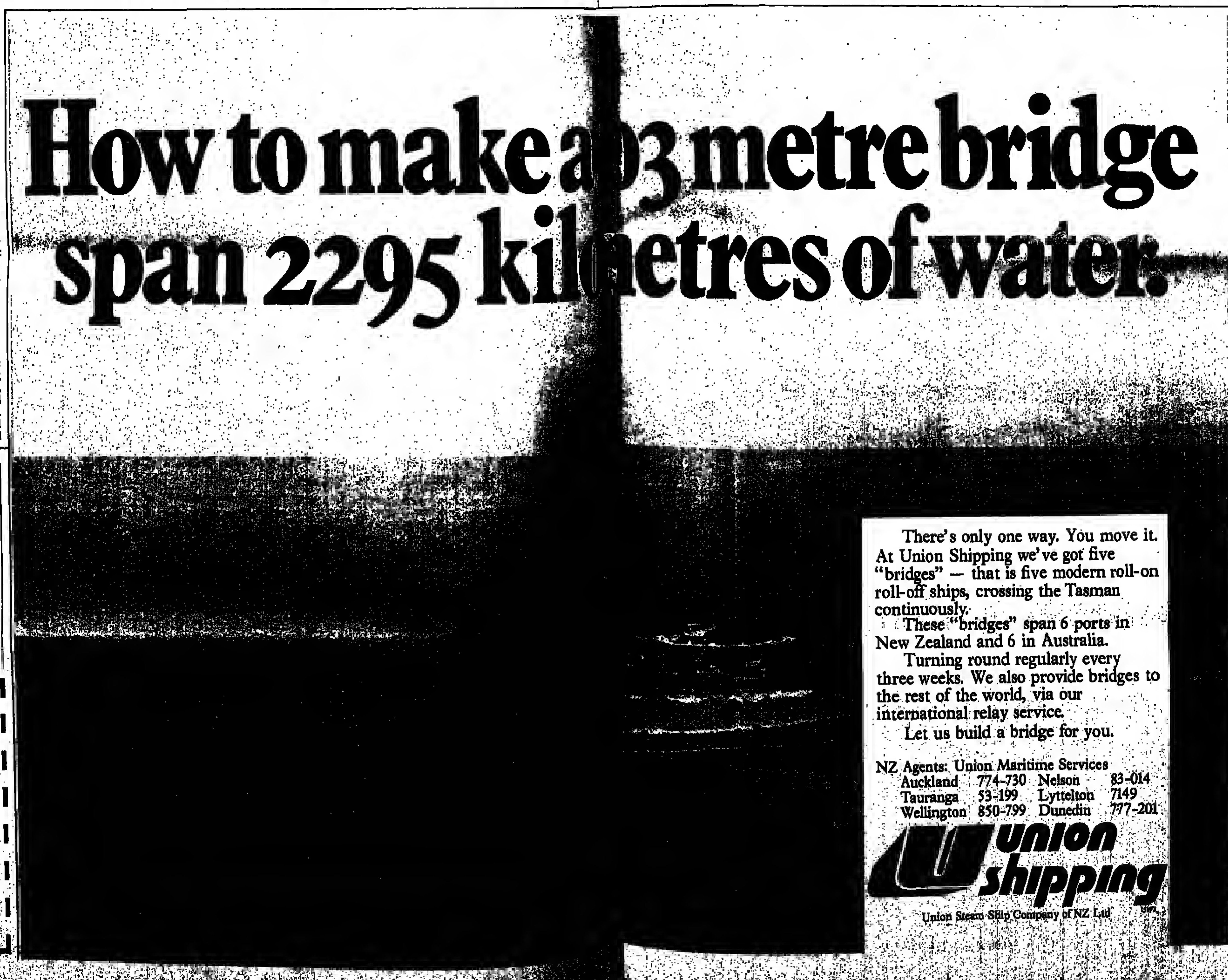

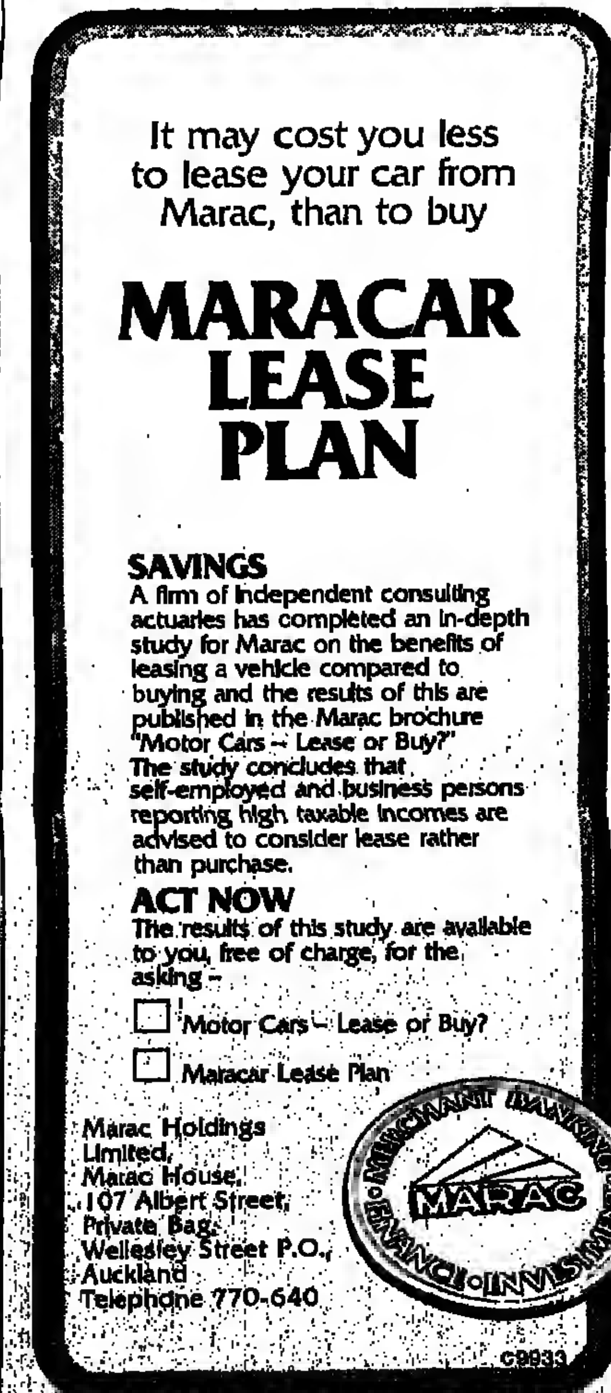

Science and technology

Our bugs make it big in bio-technology market

by Warren Berryman

TINY enzyme-producing micro-organisms living in New Zealaod's hot pools msy provide this country with a favourable edge in the multi-billioo-dollar, bio-technology market.

Enzymes – ageots in bio-chemical reaction – are used in food processing, washing powders, ethanol production, anti-pollution (they gobble effluent) plastics and pharmaceuticals.

New Zealand hot pools harbour better enzyme-producing bugs. Our bugs are accustomed to the high temperatures of hot pools; they and their enzymes are temperature-stable.

Research into the micro-organisms inhabiting hot pools was instigated by a visiting American scientist and carried to the verge of commercial fruition by Ray Daniel, a biochemist, and Hugh Morgan, a micro-biologist at Waikato University.

Last week Waikato signed an agreement with the Development Finance Corporation's Applied Technology Programme to commercialise the discovery.

The $270,000 over three years from the DFC, will be matched with staff, laboratory equipment and facilities from the university. Royalties accruing from the university's discovery will be split 50/50 with the DFC.

The deal is a milestone in commercialising discoveries produced by Government-funded universities. Apart from small-scale commercialisation of university work at Massey, much Govemrnent-funded research has been going gratis to other countries.

There is a pressure on senior academics to publish their findings. When they do, the chance to patent rights is lost.

More brilliant Kiwi ideas are lost when students are driven by lack of local enthusiasm and capital to take their experience and ideas overseas.

The $270,000 from the DFC came just in time. One Waikato researcher was sbout to go overseas and papers were about to be published which would have cost the university and the country their innovative edge and precluded any chance of patent rights.

Until the DFC came along Waikato'a research shoestring budget was being cut to the bones by cost-conscious Government.

The staff/student ratio in the univeraities was 10.3 in 1975, when universities were aiming for a ratio of 8.6. Now the ratio of teachera to students has fallen to 12.3 and is deteriorating.

In the United States, large companies fund university research, often allowing universities to become finsncially self-supporting research units.

Waikato University has an inter-disciplinary approach in its science department. Students in, say, micro-biology, are not confined to their own taxonomy.

The head of the DFC's Applied Technology Section in the north, Owen McShane, is looking for foreign joint venturera to buy a licence and share in the discovery.

Apart from patent rights, New Zealand's major advantsge is its lead time. We have the hot pools, we have the temperature – atable bugs and enzymes thst other countriea are looking for – we have four years of research and development under our belts while other couotries have to start from scratch.

McShane points out that the aim is to get maximum market penetration rapidly, before we lose our innovative edge and our bugs and enzymes are superceded by better foreign bugs.

To do this we need the marketing access and promotion that can be provided only by a big multinational company.

Unlike the cancer drug, Meta-Amsa, developed by the New Zealand Cancer Society and licensed off by McShane to an international pharmaceuticsl giant, the hot pool enzymes can be manufactured in New Zealand.

McShane and the Waikato University team are hoping for a deal with a multinational company that includes a shared technology agreement such as that obtained for Meta-Amsa. Under such an agreement New Zealand can sell its ideas and products and st the same time be brought into the mainstream of technological advance in this new field.

The keystone to the project, the hot pools, are located in the same region as our major research institutions in food technology, agriculture and forestry – sreas in which this country, in many cases is a world leader.

In the field of bio-technology, New Zealand has an international comparative advantage, McShane points out.

Our researeh and development costs are only one-tenth those in the United States. And, because the bugs need feeding, we have ready access to cheap wastes from the dairy and meat industries.

McShane points out that the DFC is not allowed to provide capital for a Government orgsnisation. In the Waikato University case the DFC bought the technology and funded the university to do the research.

"I wish there were other venture capitalists. But they don't exist in the private sector," McShane said.

Overseas Governments have been ploughing money into bio-technology research as one of the world's greatest growth industries.

A bug that can stand high temperatures, has been sought. Our hot pools have such bugs. They may be unique, insofar as they evolved in hot pools with temperatures of 102-104 degrees C.

The market potential is huge. Novo Indusiri A/S of Denmark exported $91 million worth of enzymes in 1978.

The United States of America estimates s market for food additives of $2.1 million in 1985 of which $128 million are in enzymes.

European enzyme sales estimates for 1987 are from $183 to $257 million.

At present sales of protease enzymes (the type already being produced at Waikato) are estimated at $24.5 million.

Production of enzymes for detergents, estimated at 6 million tonnes worth about $1.8 billion a year, is growing at 35 per cent a yesr.

Waikato University has a pateot on micro-organism designated T-351.

The protease enzyme is also covered by patent applications in major countries. And a provisional pstent has been filed for the stereo-specific thermophillic aspariginase, for use in pharmaceutical applications.

Other bugs snd enzymes are being looked at. But first the Waikato researchers and the DFC have to see if they can gear-up enzyme production to a commercisl level.

The DFC, with international contacts and a full data bank sccess facility, is searching the world for a multinational interested in buying a licence. As McShane points out, the big multinationals buy in 50 per cent of their research and development, from outside sources.

Addendum outdates

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marginsl cost" in electricity pricing.

On page 25 of his report, van Moeseke states in relation to electricity pricing that "only the long-run marginal cost is relevant here, not the short-run seasonal or even daily fluctuations that peakload pricing deals with".

McDonald criticises van Moeseke for not saying "why *he* uses such derogatory terms about a 'mere tolling operation'." Van Moeseke makes clear in his report thst the term is not his, but is quoted from a D Young.

McDonsld reiterates many earlier criticisms of van Moeseke which were clearly countered in a full addendum published by van Moeseke only a month after his initial report was released. In fact the addendum outdates much of McDonald's appraissl.

McDonald's work for his report on the third pot at Tiwai provided him with his "special" New Zealand-related figures, which he claims van Moeseke could not have had access to. He retains confidentiality for these figures, making the report of little value to serious students of the issue. But:

• He arrives at cost benefits for the project only by applying a curious procedure. He uses a system of "weighting up" and "down" various benefits and deficits. Because these weights appear arbitrary, he can simply weight the project until it comes out in the black.

• He gives us an importsnt clue to profitability of the project io a table setting out various returns to New Zealand depending on the cost to produce electricity for the smelter, and assuming a selling price of 1.5c a unit. His table shows a range of values from $250 million benefit at a cost price of 2.2c a uolt, to a $100 million deficit at a cost of 4c a unit.

We know from Birch's information that the cost of electricity from the Clyde [illegible] cost value [illegible] McDonald's table shows exactly a nil net benefit for the third potline to New Zealand, which, extrapolated to a second smelter, holds, because Clyde power will be required for a second smelter.

This result is achieved despite McDonald's arbitrary weighting up of foreign exchange to 1.1 and use of $1609 a tonne (for the December 1979 calculation) aluminium price, an inflated price previously commented on.

It appears the project [illegible] culated on [illegible] than [illegible]

Industrial relations

Wage machinations go through avoidable replay

by Jim Hopkins

WITHOUT a comprehensive wages policy, industrial attention and strategies have turned to particular awards. And so employer concern has centred on the drivers' and dairy factory workers' settlements, Jim Bolger's 13 per cent ceiling, and their implications for further award negotiations.

Things are much the same as they were last year — even if the mood is different. But the action replay could have been avoided.

Union and employer sources made clear they didn't expect their last *tete-a-tete* — on August 6 — to produce an agreed wages policy, and certainly not one which could be applied this wage round. (*NBR* August 4). They were right.

When Rob Muldoon met the waiting press after the meeting, he had no wages policy to announce. He did pledge repeal of the Remuneration Act (provided that wage increases this year were "reasonable").

In the wages context, "reasonable" depends very much on what you've got, what you want or what you're prepared to offer.

Fortuitously or not, by August 6 some precision had been given to the definition of "reasonable". On the evening of August 3, while the Prime Minister was in Western Samoa, Labour Minister Jim Bolger had had a chat with FOL president Jim Knox.

No-one from the Employers' Federation was there, as spokesmen angrily pointed out.

One union source suggested the Sunday meeting was a solo effort by Bolger to upstage everyone — including the Prime Minister — and produce an acceptable formula for the wage round. But an Employers' Federation observer has suggested Bolger was just following instructions.

"I think it was a pre-determined tactic," he said. "The PM said, 'find out what the FOL wants'." All off the record, of course.

Either way, things became sticky when Knox emerged from the meeting to declare that 13 per cent was the unofficial official figure that the Government could live with.

"The Government's stuck with it now," said one observer.

"Muldoon's stayed silent. He hasn't chastised his minister — or praised him."

Said a unionist: "It was a nice move by Knox. Bolger found out he was dealing with players, rather than gentlemen."

Employers sources saw it much the same way. "The PM and Bolger think they can do deals with Knox the same way they did deals with Skinner," said one. "But they can't. Things have changed. There's a whole new set of influential people in the FOL now."

New people and a new figure — 13 per cent — that the Employers' Federation has criticised because it was not consulted and because it believes many employers cannot afford wage increases of that magnitude, with economic things the way they are.

Road transport industry advocate David Patten has blamed Bolger for forcing employers' to raise their offer to the drivers from 11.5 per cent to 13 per cent. It was "ill-advised and ill-conceived" to call 13 per cent a "reasonable level of settlement", he said. And it had "placed my assessors, and possibly Drivers' Federation assessors, in an invidious position, because, in our view, that political statement or proposition did not take into account the circumstances faced by this industry. . . When we made our 11.5 per cent offer we considered that to be fair and reasonable . . ."

Other employers' sources share that view. "Many companies, especially in the South Island, and exporters and those involved in restructuring can't afford 13 per cent. The exchange rates are not going down fast enough and wage rates are rising too high. It all leads to an increasing rate of unemployment."

One source predicted that the new "reasonable" level for the wage round plus the 4 per cent General Wage Order announced in the Budget, plus further increases it is known will be negotiated next year, will produce a total wage boost "close to 30 per cent. That's much more than the 13 per cent the Government unilaterally decided on.

"This 13 per cent will eventually lead to wage increases ahead of the Consumer Price Index. There'll be no room for Muldoon to make any tax adjustments next year — unless he has a tax increase then adjusts the scale.

"It's good stuff for the FOL — and the Government — but it's sowing the seeds of economic disaster."

Jim Rowe, executive director of the Employers' Federatin, said there would have to be concessions. "We'll need restraint from unions in hard-up industries, while others get more," he said.

"We've got to get the unions to see that you can't get the same increase across the board. If that happens, you can't move capital or re-route investment to help industry development. All you do is maximise unemployment because the weak industry can't pay."

The FOL appears to agree publicly with that assessment. Knox has said the unions' attitude in this wage round should be flexible and based on the ability of individual industries to pay.

And last week, the 13.7 per cent increase won by dairy factory workers showed the FOL doesn't expect the marginal 13 per cent to be an inflexible floor or ceiling in future award negotiations.

"We're demanding the right of free wage bargaining," said one official, "and we're not accepting a single wage path. Unions must find their own figure. There'll be a punch-up if the employers try to impose a single wage-fixing procedure.

"The truth is that a number of different settlements will emerge. Whatever they are, those settlements will occur if they've got wider trade union support.

"There's been a build-up of support for no Government interference. The FOL advocates' meeting (on August 4) empowered the FOL to call stoppage action in support of any union in trouble with their employers or the Government."

In essence, what the Employers' Federation sees as necessary "concessions" the FOL regards as autonomous "variations". Different meanings for the word "reasonable"?

The promised repeal of the Remuneration Act has been seen by one observer as "another win for Knox", while a union official calls it "a victory for us, the Government's had to back down".

But Rowe isn't worried. "We had no love for the Remuneration Act," he said.

"The times it was used it was a disaster."

But the Employers' Federation is seeking a *quid pro quo* — the repeal of the Commerce Act which prevented employers from passing on the effects of any excessive pay settlement.

Already the federation has reacted to the Government declaration that repeal of the Act won't happen this Parliamentary session.

"Limp administrative convenience," said federation president Graeme Reid.

The Employers' Federation intends to push for repeal, and it is likely there will be more than a few fireworks before the matter is resolved.

When the Remuneration Act has gone employers will be left very much on their own in dealing with the unions. "There'll be a tremendous pressure on the employers," says an FOL man.

"They'll be the ones who'll have to stop the unions supposedly gouging out a settlement."

"A lot of businessmen are taking a very jaundiced attitude," said one source.

"If the Government wants a fight they can have it, but don't use employers as the meat in the sandwich. The Government tends to regard employers as in their pocket, and they can be used, but I think that could end pretty quickly. In the next couple of months people could start going public and really telling the Government what they think of them.

"With the wage policy talks we had an opportunity to get some real, sensible change — until a lot of politics started entering things. It was all entirely consistent with the way Muldoon acts. They muck around so long over the major things, then miss the boat entirely. Its bad for New Zealand."

That pessimism about the future of the wages policy — and the Government's actions — is not universal. But neither is it uncommon.

Structural change provides base to tourism push

PETER V O'BRIEN commenls on the financial and business week, appraises the share market and analyses the company accounts.

THE Tourist and Publicity Department is being reorganised to allow attainment of its desired goals with greater effectiveness, efficiency and productivity.

Department General Manager Neil Plimmer told *NBR* last week that the reorgaoisation was not an end in itself, but would help the department to reach its goals.

"A new structure won't achieve this alone, but without the structure we can't get what we want," he said.

The scheme is based on altering the department's two divisions. The Tourist Division becomes the Tourism Marketing Division, and the Development and Research Division will be the Tourism Planning and Development Division.

Plimmer snid the department wanted to stress the concept of "tourism" as opposed to the word "tourist". This would emphasise the fact that the department was dealiog with a specific sector of the economy, and a range of activities within that sector.

"We are not overlooking the needs of the individual tourist, but we will be examining other things which affect the individual'a needs."

The department intends introducing the best marketing techniques in areas which were previously described as "promotions". To this end, the "promotions" sections will now be "marketing and promotions", because promotions is just part of a more sophisticated and integrated marketing activity.

Marketing will be assisted by the transfer of market research from the old development and research division's activitics to a special seetion within Tourism Marketing.

This division's third sectioo will be "commereial operations" (previously "travel services"). Plimmer said it will co-ordinate head office functions with the work of the Government Tourist Bureaus and Tiki Tours.

"We want to maximise their efficiency and cost consciousness, but they will not be expanded at the expense of competing operators," Plimmer said in reply to a question of the effect on private sector tourist companies.

Improved research and a larger data base is expected to flow from a decision to give both divisions more researeh capacity.

The Tourism Planning and Marketing Division will have two sections, Policy Planning and Development and Research. Policy planning was formerly carried out in various places, but tbe department wants to strengthen and consolidate its planning and advisory capacity, particularly in the areas of foreign investment, the development of land and plant for tourism, budgetary and financial policies in the industry, and civil aviation policies.

"It is unrealistic to look at the policies needed to cater for qverseas tourists, for example, if the people involved are in different divisions, on different floors of the department's offices," Plimmer explained.

Improvement and development of new marketing and research techniques will take time, but the new structure will facilitate the job.

The reorganisation will be carried out within the present staff ceiling limits, and no additional people will be needed. Some small effects will be aeen immediately, but the total impact will be spread over a longer period.

NBR asked Plimmer whether the plan would improve the data base on the travel and holiday patterns of New Zealanders inside the country, because there are considcrable deficiencies in the information available. New Zealanders are the largest users of the tourist industry's plant and facilities. Their holiday patterns influence the availability of resourcea for overseas visitors.

Plimmer said that, in his view, the first priority was to get more overseas tourists. They make a direct contribution to foreign exchange camings, and tend to spend more than New Zealanders on an internal holiday.

In time the new structure should help research into internal tourism, where the department is sharply aware of the lack of data. More detailed information requires the cooperation of various other bodies and institutions.

The department is encouraging this work and it is gaining momentum. Auckland University's business administration department is starting a study on New Zealand tourism with the support of the National Trevel Association.

Plimmer was non-committal about the origins of the restructuring idea, saying it "is something we are doing." The plan was worked out by senior departmental staff over several months.

Plimmer was appointed general manager earlier this year, after many years in Foreign Affairs which included several overseas postings, the last being Deputy High Commissioner in Canberra.

Still in his early 40s, he probably brings a new outlook to the department after his Foreign Affairs experience.

The new structure clearly makes sense from an administrative and industry development viewpoint. The proof will be seen when the department's activities show up in improved marketing from tourism, based on a solid research base, better utilisation of existing plant, and the development of new plant.

Easing stock rate puts market on the go again

THE quiet perlod in investment markets (*NBR* September 1) was short. Activity on the news front picked up last week, when the Government eaaed its stock rate again, takeovers came to the fore, and some useful company profit statements maintained investor interest.

The most interesting of the two takeover offers is Wilson end Horton's ettempt to buy Manawatu Standard Ltd. While that bid is worth only $750,000, it could, if successful (and Manawatu Standard directors have recommended rejection), have repercussions in the publishing industry in the lower half of the North Island.

Nothing is simple in corporate decision-making, and there are likely to be many reasons for Wilson and Horton's decislon to bid for Manawatu Standard.

Whatever the outcome (and whatever the reasons) there may be medium to long-term effects on investor interest in the publishing aector. If that happens a few dollars could still be made on the various companies' shares.

The transport aector's preliminary results were announced last week, with TNL performing much in line with last year, before taking profit on aale of assets into account, and Freightways produclog e box of goodies for the shareholders.

The TNL result included profit on sale of assets firmly in the net profit figures, end this caused the usual comment on how such gains should be treated. The issue is complicated in transport companies, because the sale of vehicles, in particular, often involves a writeback of depreciation, which was previously written of revenue for the years concerned.

Is that a capital gain, or a recovery of earlier expenditure through the profit and loss account?

Is that a capital gain, or a recovery of earlier expenditure through the profit and loss account?

We can leave the theorists to argue that one, but the gains to TNL allowed the company to increase the dividend, a move which had little effect on the share price, and the latter now seems slightly undervalued.

Freightways delivered for the shareholders (no pun intended), justifying the 28 per cent share price increase this year. The company's one for six bonus, and the decision to pay the final dividend on the increased capital, suggests that there is still capital gain available, although the result is now known.

Buying shares cum dividend and/or cum bonus usually carries a profit soon after the stock goes ex.

The shares have a tendency to move back toward their cum price if the dividend is maintained on higher capital. In addition, the earning [illegible] capital becomes the [illegible] essessing the current [illegible] profitability ([illegible] no likelihood of [illegible] which is unlikely, [illegible] company would [illegible] a bonus issue).

Analysts then [illegible] current year's [illegible] to the share price, [illegible] conclude that a [illegible] deserves a high[illegible]

The forestry [illegible] Tasman and Fl[illegible] evidence for that [illegible] because analysts [illegible] profits much high[illegible] than the previous [illegible] share prices have [illegible]

Whether they [illegible] the full discount [illegible] tions is ano[illegible] rising [illegible] financial year [illegible] gains for investors.

The often heard comment that "it is too late" to buy shares when the profit has been announced and they are cum a bonus, should be tempered with an awareness that investment, like the companies, is an on-going business.

Today's price (and profit) is history tomorrow.

The Government's decision to casc its long-term stock rste another 0.3 per cent, after shaving 0.1 per cent of the previous 13.5 per cent rate a few weeks ago, is hardly a signel for an immediate substantial dowoturn in interest rates.

The Dairy Board's loan came to the market 0.5 per cent below the figure proposed in June, and the Government's net decrease of 0.5 per cent in the same period is not particularly unusual when seen in that context.

The present interest rate structure is still attractive for institutional investors, but individuals are better off investing in companies which make distributions from capital reserves in the form of dividends, provided they can stand the "insecurity" of a fluctuating sharemarket.

There are always fears that someone might impose a capital gains tax which would affect these distributions. While that is unlikely, there is still one reserve which would escape the net if the tax came into being.

The share premium account is not a capital gain, by eny definition. It is the shareholders' money, which they have contributed by way of the amount payable above par on a cash issue. If anyone tried to tax a distribution from that account they would be forced to the illogical argument that a shareholder's capitsl contribution is revenue in the company's hands.

Note: The writer neithar owns nor has a beneficial interest in any of tha securitias discussed here, but has e professlonel assoolation with Wilson end Horton Ltd.

O'Brien on business

Analysing annual accounts: Air New Zealand

IN 1977 Air New Zealand made an operating profit of $15.9 million, if the pre-merger activities of the international operator and NAC are combined, and the different accounting policies of the two organisations are disregarded for comparative purposes.

In the year ended March, 1980, the post-merger corporatioo bad an operating loss of $15.9 million. That was sufficient to let loose adverse comment.

It is useful to look at the financial facts. The corporation's operatiog revenue went up 18.9 per cent. Operating expenses increased 25.4 per cent, and the difference between the two percentages tumed 1979's operating profit of $7.6 million into this year's loss.

The table compares the 1979 and 1980 figures. If "traffic revenue" increased 22.1 per cent, instead of 18.4 per cent (a difference of 3.7 per cent), and "flying operations" went up 54.1 per cent, instead of 57.6 per cent (a difference of 3.5 per cent), the corporation would have broken even.

The sums are so large that small percentage muvements can make the difference between profits and losses. The airline's twin policies of attempting to lift revenue by fare increases to offset costs, and cost-cutting exercises (through alterations to schedules and so on) are an example of the law of diminishing returns, particularly when small percentage changes have such a dollar effect.

That also shows up in the balance sheet. Air New Zesland at balance date had total assets worth (at book value) $438.1 million (by comparison, NZ Forest Products, New Zealand's largest had a 1979-80 turnover of $412 milliun).

At first glance, Air New Zealand seems to operate on a minimal financial structure. But airline companies commonly have a high gearing (shareholders' funds to total liabilities). International aircraft purchases are financed on substantial credits arranged by suppliers through special agencies in the country of origin — and various banks.

Air New Zealand currently owes $106.2 million on its seven DC10 aircraft, with $74.6 million outstanding to either the United States Export/Import Bank or to that organisation in conjunction with a commercial bank.

Total long-term loans are $152 million, or more than one-third of the balance sheet total. Shareholders' funds were 21.3 per cent of total liabilities at March 31, compared with 27.2 per cent in 1979.

	1979 $'000	1980 $'000	Per cent Increase
Revenue			
Traffic Revenue	328,332	389,899	18.4
Charter Revenue	28,776	25,388	(-11.8)
Contract Revenue	16,269	27,040	66.0
Other Revenue	13,744	19,353	40.8
Total	388,141	461,755	18.9
Expenditure	83,151	131,050	57.6
Engineering Maintenance	60,389	73,110	21.1
Aircraft and Traffic Servicing	72,798	82,667	13.5
Passenger Services	36,781	43,134	17.3
Sales and Publicity	62,386	70,498	13.0
Administration and General	25,929	33,330	28.5
Depreciation and Amortisation	24,455	26,516	8.4
Interest Charges	10,939	12,972	18.8
Exchange Losses	3,688	3,885	5.3
Total	380,497	477,162	25.4

Apart from the loans, the item "transportation sales in advance" stand out in the corporation's liabilities. The amount under this heading was $33.3 million in 1978-79, but rose to $64.9 million last year.

That is another problem which affects the corporation's revenue. Travellers set out to beat fare rises on international routes by booking well in advance and paying for the ticket. The airline has entered a contract to carry the passenger at the price ruling on the day of payment, so subsequent fuel costs and so on cannot be recouped from those people.

Chief executive Morrie Davis refers to the point directly in his review, saying that a combination of regulatory delays in obtaining approvals for fare increases and "considerable pre-purchasing of tickets to avoid paying the higher levels, resulted in a decline in real yield".

The airline's decision to buy 747 aircraft will involve it in an expenditure of about $400 million. Rearranging loans, after selling the DC10s, would lower the relationship between shareholders' funds and total assets to an unacceptable level.

For this reason, the Government made provision in the Budget on July 3 for an increase of $16 million in the corporation's capital, an amount which will preserve balance sheet stability at a level acceptable to the lenders.

(With respect to the author of the piece in "Without word of a lie" — *NBR* September 1 — it is incorrect to suggest that the $16 million shows the corporation "has flown to the Government's pocket as soon as it hit financial trouble". It is also false to compare the $16 million, which coincidentally almost matches the operating loss, with the dividends over the last four years that the Government has received as the sole shareholder of Air New Zealand and NAC.

The corporation has adequate financial reserves in the balance sheet to maintain activities without additional capital, but for the 747 purchases. It is unsound to compare dividends with payback periods on new capital; the first is related partly to the second, but they are different financial concepts).

O'Brien on business

Getting to know you the Henry Root way

EVER had trouble getting replies to letters that you write to the man at the top? If so, *The Henry Root Letters* is essential reading.

"Henry Root", retired founder of Henry Root Wet Fish Ltd, has been writing to various important folk in England, and other places, on vital topics of the day.

He has corresponded with the Queen, Prince Charles, Margaret Thatcher, merchant bankers, top London legal firms, the Greek and South African ambassadors, the Secretary of State for Defence, Pakistan's General Zia, newspaper proprietors, football club managers, model agencies, the BBC, and sundry politicians, "media personalities" and academics. (The book has photostats of the letters, so it did happen).

Root has four simple ways of getting a reply. First, he arranges a meeting.

Writing to the Petal Model Agency on June 16 1979, he complained about receiving no reply to a previous letter seeking models for a *Penthouse* layout to be called "Away Day in Staines" photographed in the carpark of the Red Bull Hotel, Staines. It would feature Denise, Stephanie, Fifi and Kerry-Jane. The girls would later be enjoying a shandy with photographer Henry de Root in the executives bar. This would be preferable to having them on the island of Ibiza and joining photographer Heinz, in the "champagne a go-go bar of the Hotel Player Real."

Root said he would "hop into your office at 3.30pm on Tuesday June 26 to run my eye up and down a line-up of your best types". He also requested the whereabouts of various named models.

The agency then replied, saying "unfortunately" it did not have any models suitable for the proposed layout, but giving names of the models referred to, and contacts of other agencies.

A similar exercise was conducted with the Vaudeville Theatre, when Root wanted one of his plays produced, starring Glenda Jackson.

The second technique is complaining to the superior. Receiving no reply to a letter to the First Sea Lord (offering his services to the Navy in the event of hostilities with the Soviet Union), Root wrote to the Rt. Hon Francis Pym, Secretary of State of Defence. Back came a reply informing him that his willingness to serve in the Royal Navy had been noted.

"I can assure you that no slight was intended by the delay in answering your earlier letter and you should shortly receive a reply from the Office of the First Sea Lord".

A letter dated the same day came from First Sea Lord's secretary, saying the top naval man was "most grateful" for the letter.

The third method is to make a firm commitment for the letter's recipient. Thus a letter to Prince Charles suggesting that HRH might come around to the Root flat on Saturday June 9, to perform the opening ceremony when Root throws open his residence "to pull in the Japs and the more gullible of our American friends to show how an ordinary English family lives," following the spirit of Charles' uncle, Lord Mountbatten.

Prince Charles . . . already had plans

"We'd be very honoured and it would be nice for you to meet my Doreen. If you found yourself a little short, I'd be prepared, like your uncle Lord Mountbatten, to sock you the pound entrance fee till you straightened up".

Asst Private Secretary to HRH replies, thanking Root for the letter. "I am afraid His Royal Highness will be unable to accept your kind invitation since he has already made his plans for that day".

Root's fourth option is to enclose money. When trying to get son Henry (15) into Magdalene College, Cambridge, he enclosed a five pound note for the senior tutor, because, since places are tight (many being snapped up at birth by Old Etonians and such) he is "prepared to pay 'over the top'." The five pounds is a small cash advance, personally for the senior tutor, against a heavy financial contribution to the college.

Most people return the money, but several one pound notes sent to Margaret Thatcher for the party's funds are kept and acknowledged, as are one pound notes to senior top police officers (going to welfare funds and so on).

Being an astute businessman, Root has a few lessons in take-over negotiations. He decided to buy publisher Jonathon Cape, after having a "novel" turned down.

First he wrote to merchant bankers, Keyser Ullman, which was in strife with company inspectors of the Department of Trade. Following an official report, he cancelled that proposition, and dealt with Hambros Bank, but had difficulty replying to their communications, due to being "flat to the boards . . . trying to raise the wind to get the caper off the ground".

Rescue, in the form of a letter to Sir James (Jimmy) Goldsmith, multi-millionaire, successful litigant against *Private Eye* and publisher of *Now* magazine.

"What do you say we meet for lunch at your favourite watering-hole, the Clermont Club, on Friday June 29? . . . I'm not a member of the Clermont Club myself, but no doubt you can fix that. You get me in and I'll pay for lunch. How's that? Fair enough?"

Jimmy is too busy with Now to get involved, but sends the pound to the appropriate charity for retired journalists, because he knows the bulk of them to be decent.

Now that I have written this review, I note the copyright reference. Apart from threatening dire things to republishers in any form, it says "Anyone of a mind to disobey this injunction is reminded that the author is acquainted with Sir James Goldsmith and the Director of Public Prosecutions and is not without means". Ah well.

The Henry Root Letters, by Henry Root, Weidenfeld and Nicolson, NZ price, $15.50.

Stock Exchange weekly review

FOR WEEK FRIDAY AUGUST 29 TO THURSDAY SEPTEMBER 4

	Last sale	Week's high	Week's low	Turnover
[illegible]				
12% CONV PR	165	165	165	200
WINSTONE,50C	74	74	71	74700
12% CONV PR	52	53	52	7500
WRIGHTS (NZ) PROPS, 20C	182	...	...	0
5.75% PR	72	72	72	400
WORMALD	270	270	270	200
5-7.5% PR	100	...	...	0
W.R.CARPENTER,50C	254	...	...	0
W.SUTHERLAND	115	...	...	0

Mixed reception to accident compensation review

by John Sloan

THE long-awaited changes in the accident compensation scheme have had a mixed reception.

The decision to deny compensation to those injured while committing crimes has been applauded; the reduction in compensation for non-economic losses and minor injuries has been criticised as inhumane.

The proposed changes will save an estimated $20 million — that is, cost someone else $20 million.

The main cost-saving areas are:

- An extension to two weeks of the present one week waiting period before compensation for non-work accidents starts. This will affect people who suffer sports and recreational injuries who could be without any compensation for a fortnight. Non-work accidents have been a significant drain on the Earner's Fund so employers should be pleased with the proposed change.
- The abolition of lump sum payments for minor injuries plus a substantial reduction in payments for non-economic losses such as pain and suffering. This introduces an element of compulsory self-insurance for minor injuries and represents the harshest decision in human terms.
- Employers will pay the first two weeks' earnings in a work-related accident instead of the first week only. This could prove costly for industries, such as freezing works, with a high incidence of accidents resulting in short-term disablement.
- Placing the onus for the payment of the cost of the first two visits to a doctor or physiotherapist on the accident victim and allowing an employee insured at work to recover the amount from the employer. This will prove expensive for employers and for people who suffer non-work accidents.

Reactions to the proposed changes were prompt.

David Thorpe, chairman of the Combined State Unions, claimed the Government was breaking faith with workers who sacrificed the right to claim common law damages. He alleged the Government was penalising accident victims and their families by attempting to save money.

Thorpe conveniently ignored the inadequacy of the old workers compensation "fault" system, which often deprived accident victims and their families of any compensation at all while automatic compensation for non-work accidents was unheard of.

Dr Bob Moodie, secretary of the Police Association, claimed the Accident Compensation Commission employers were impersonal when dealing with accident victims and wanted to pay as little compensation as possible.

The executive director of the Employers Federation, Jim Rowe, was reported as saying: "One reservation employers will clearly have is the proposal that they should meet the cost of compensation for the second week of work accidents. Although employers will face greater costs, the savings to the Accident Compensation Commission will pave the way for a significant reduction in levies."

Rowe predicted further reductions when levies were converted to a pay-as-you-go system. But some employers doubt if any reductions will eventuate.

One of the country's leading sport doctors, Dr Lloyd Drake, criticised the move to have the first two visits to doctors paid for by the accident victims.

Drake estimated that these costs would be between $25 and $35 and would force people to go to public hospitals for treatment.

He said that many people would not be able to pay the initial medical bills and would therefore go without the necessary treatment and be off work longer than necessary.

Drake predicted that sports bodies would have to consider insuring against the first two weeks incapacity and the liability to pay medical bills.

A different view was expressed in an editorial in the *Evening Post*: "We believe, among the economies . . . in the amended scheme, some dent should have been made in the generous provisions now existing for those who do encounter such (sporting) injuries."

The proposed changes place a greater emphasis on work safety. A major complaint about the existing scheme is that companies with excellent safety performances were not rewarded with levy rebates (probably because non-work accidents siphoned away the excess available for safety rebates).

Now that the cost of non-work accidents will be reduced and the scheme will be funded on a pay-as-you-go system, the Accident Compensation Commission should be able to properly implement the safety rebate provision.

The proposed changes to the accident compensation scheme will have minimal impact on the insurance industry.

Special schemes to insure the first two weeks incapacity are literally "cost plus", which tends to make them unattractive to employers, but they could be of interest to sports clubs.

In view of the continued restricted upper limit for lump sums for major injuries ($17,000) many employers will continue separate personal accident policies for senior management.

Employers will probably experience increased demands on sick leave provisions and staff welfare funds from employees who suffer non-work accidents. This might lead employers to take a greater interest in preventing "off-the-job" accidents.

But, in spite of the first revision of the accident compensation scheme, and the apparent intention to reduce costs, perhaps at the expense of the injured, there has been no departure from the "no fault" principle which remains paramount.

Paying costs of boycott

ATHLETES weren't the only ones to suffer from the Olympic boycott. At least one New Zealand travel company has gone under because tour parties to Moscow were cancelled.

Treasure Tours — one of the official agents for the Moscow Olympics — has gone into receivership with estimated $250,000 losses.

The Government turned down a plea for $250,000 compensation.

This loss raises the question "Can insurance against such contingencies be arranged?"

The answer is yes but only as a special contingency insurance market in London, a market which is braced for a $80 million claim arising from the Moscow Olympics.

One American company was prudent enough to insure against the possibility of a boycott. National Broadcasting Company (NBC) negotiated exclusive TV rights to the Olympic coverage and effected a special contingency insurance against boycotts.

NBC paid $85 million to the Soviets and is able to claim most of it from Lloyds and other insurers.

Lloyds' participation in the risk is $45 million; NBC insures $5 million and the remaining $35 million is held by several American, London and European insurance companies.

Kiwifruit authority's secrecy under attack

by Warren Berryman

THE powers of the Kiwifruit Marketing Licensing Authority to grant or refuse export licences without giving reasons or right of appeal are under attack from a small group of growers and exporters.

Charged with maintaining an orderly marketing system under the Kiwifruit Marketing Licensing Regulations 1977, the authority decides who may export kiwifruit.

Last year 22 companies applied to export kiwifruit. All were turned down.

The nine existing licensed exporters retained their position, free from competition from outsiders.

The licensing authority comprises of five grower representatives, two existing exporters and a Government representative.

The criteria for granting or withholding a licence is based on the vague concept of "need", the financial standing and experience of the exporter applicant, and information provided by the Trade and Industry Department.

Licence deliberations are secret. The licence applicant has no right to attend the hearing to put a case of defence against detractors.

Authority decisions are final. There is no right of appeal for a rejected applicant.

The authority gives no reasons for turning down an applicant.

The Horticultural Free Enterprise Association, a group of about 50 dissident growers, has joined forces with Amalgamated Marketing Ltd, a large export house, that has twice been turned down for a licence, to do battle with the authority.

This group is pushing for an appeal provision for rejected licence applicants.

Amalgamated Marketing has advised growers that "the authority has treated our applications in a most offhand, cavalier fashion which is neither democratic nor fair. The fact that two licensed exporter members of the authority also sit in judgment on this and other companies' applications also lends quite a questionable aspect to the whole situation."

A Horticultural Free Enterprise Association circular to growers said: "We only seek the basic democratic right of individuals to obtain a fair, reasoned and impartial judgment as we have a right to expect under our judicial system."

The free-enterprisers fear that the authority will follow other producer boards in establishing a legislated monopoly for an in-group of exporters, barring all newcomers.

They point out that the authority was set up to serve growers' interests — not exporters' interests — and that the authority's constitution makes it possible for a majority of growers' representatives to be outvoted by a block of two exporters, Government, and two grower representatives.

They decided to hold a referendum among growers on the appeal question.

The authority then defended its position with a circular to growers which claimed an appeal procedure would break the system down.

Circulars from both sides were couched in emotive language and the battle heated up.

The free-enterprisers sent out 868 voting papers. Only 275 were filled in and returned. Of these 102 votes were cast for appeal and 173 votes against.

Authority secretary Tony Holman justified the system in purely practical terms. If rejected applicants were allowed to appeal and if the authority had to give reasons, the result would be expensive and time-consuming legal actions and export delays.

Holman said the authority had taken legal advice and was convinced an appeal system would lead to more problems than it would solve.

As to secrecy in the licensing decision-making process, Holman said some of the information came from Trade and Industry and had to remain confidential to the authority. Most of the licence applicants would not want the matters discussed made public.

Asked if the question was not one of making decision-making and reasons for rejection open to the public at large, but one of telling applicants why they had been turned down to give them the opportunity to counter any misunderstandings the authority might have about their companies, Holman reiterated his objection to making procedures more time-consuming.

He suggested the authority was in a better position than anyone else to know what extra exporters were needed.

The free-enterprisers claim this attitude is authoritarian, arbitrary, and bureaucratic with neither the attribute of being fair or being seen to be fair, no matter how efficient it might be.

The Horticultural Free Enterprise Association last July argued a case for the grower-owned Bay of Plenty Fruitpackers Ltd being given an export licence, pointing out that this company's shareholders represent about 40 per cent of the export crop.

Bay of Plenty Fruitpackers' licence application was refused.

The company did not support calls for the right of appeal. But it did say it disagreed with the presence of exporters in the deliberations on the issuing of licences.

Amalgamated Marketing's application for an export licence was accompanied by a full company history, its assets, its long exporting experience dealing in meat, dairy products, and vegetables and fruits, and its world-wide contacts.

The authority turned down the application with a one-paragraph letter. No reasons were given for excluding Amalgamated from the market.

As it stands, no grower, or grower's co-operative, is allowed to export its own kiwifruit except the Fruitgrowers Federation.

The fact that even major growers are not allowed to dispose of their own fruit, but must hand it over to exporters approved by the authority, rankles with the Horticultural Free Enterprise Association.

Holman said there was no blanket bar on growers ever obtaining an export licence. He said licences were reviewed each year and the numbers of approved exporters might be increased in future.

Volumes of kiwifruit exports almost doubled between 1978 and 1979 from some 2.15 million trays to just over 4 million trays. With the increase in kiwifruit supply, prices went down.

Exports are expected to reach 4.5 million trays this year.

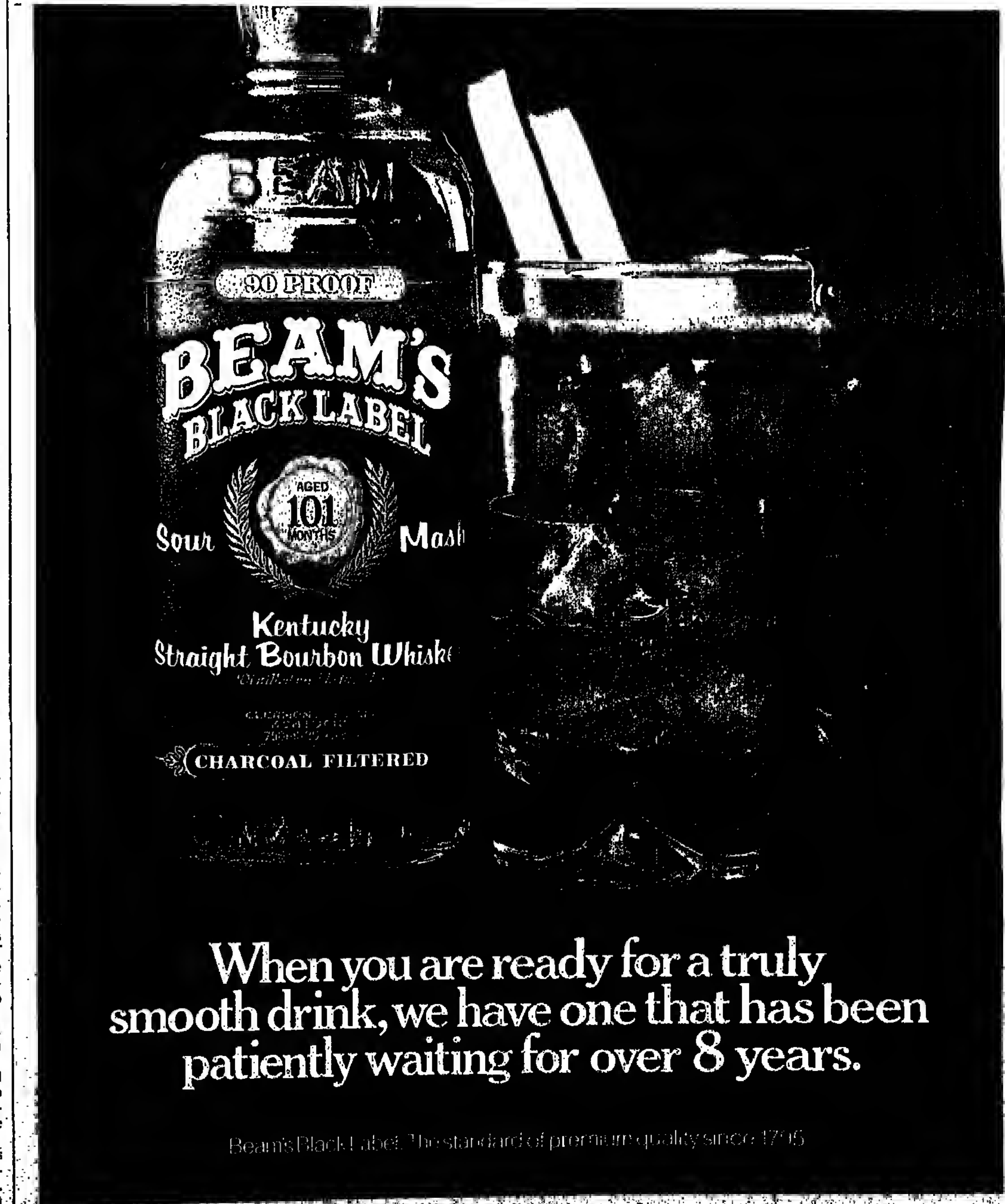
By 1985, total exports are expected to reach about 12 million trays.

Both the increase in suply and increased overseas competition might create a need for more exporters, better marketing skills, and contacts in untapped markets.

Holman said the system of licensing exporters had sufficient flexibility to meet these demands.

The free-enterprisers fear the system will become ossified with the present nine exporters in secure control of increasing supplies of fruit.

Holman pointed out that the authority had been in existence for only two years. Previously there had been no adequate data from the Ministry of Agriculture and Fisheries on kiwifruit plantings to accurately project future fruit supplies. The authority and the ministry are jointly involved in a planning study to be finished in September.



14 SEP 1982

Reforming the law: a question of pace

by Jack Hodder

A FAIR number of Jim McLay's speeches contain a sentence that goes something like this: "Law reform – the process of modernising and updating our laws – is an essential ingredient of good moderate and stable government". It is a good sentence and indicates the area in which McLay is making his mark as Minister of Justice.

He does not bring to his portfolio a vast experience of the law; nor does he exhibit the profound intellect of the academic or the imagination of the visionary reformer. But he is entitled to take credit for getting things done. In particular for piloting law reform recommendations into Parliament.

It seems likely that much of McLay's reputation as Minister of Justice will rest on the substantial number of law reform measures which will have been enacted by the end of the current Parliamentary term.

For that reputation (as well as a useful diversion of attention away from the result of a recent homicide case involving a Wellington doctor) he will owe a great deal to the sound work of the five part-time law reform committees.

These committees, manned on a part-time basis by a mixture of academic, government and private practitioners of law, comprise the major tier of the law reform system. Each committee covers a different area: contracts and commercial law; criminal law; property law and equity; public and administrative law; and torts and general law.

There is a second tier, the Law Reform Council, comprising the Minister, the Solicitor-General, the Secretary for Justice, the Chief Parliamentary Counsel and the chairpeople of the five committees. But, despite a flurry of publicity about purging ancient statutes last year, there has been little evidence of its operations.

Until recently the major problem with the law reform system has been the delay in getting recommendations from the committees onto the Parliamentary agenda.

Classic examples include the Contracts and Commercial Law Reform Committee's 1968 reports on carriage of goods and on misrepresentation and breach of contract. Twelve years later their recommendations have finally become law in the form of the Carriage of Goods Act and Contractural Remedies Act respectively.

(The delay is not always one-sided. Only a month or two ago the Criminal Law Reform Committee proudly presented a report on a controversial decision on the law relating to an accused person's belief as to consent when charged with rape. That decision was given as long ago as 1975).

Recently there have been examples of extreme speed. The Commissions of Inquiry Amendment Act passed earlier this year effected recommendations of a Public and Administrative Law Reform Committee report which was not properly published until last month. In that case, of course, there was a little prodding from the Royal Commission on Arthur Alan Thomas. But the Crimes Amendment Bill, now before Parliament's Statutes Revision Committee, will implement the recommendation of a Criminal Law Reform Committee report on self defence published earlier this year.

A more typical case might be the Evidence Amendment Bill, presently halfway up the Parliamentary Order Paper. It includes recommendations from three law reform reports – dating from 1972, 1974 and 1977 respectively.

Many of the committees' proposals are not politically contentious and can be moved along quite swiftly. A cooling off period (at least) is the norm for contentious proposals. This category would include the 1972 report on the suppression of names of accused persons (the minority recommendation enacted in 1975 and repealed in 1976) and more recent reports on internal examinations and bodily samples of persons in custody and damages for unlawful administrative acts.

The non-contentious proposals are not unimportant. This may be illustrated by noting some of the topics currently under consideration by the various committees: powers of entry and search; share premium reserve dividends; mortgagees' sales; bail; aspects of insurance law; and sale of goods.

Topics already reported on, and providing a pool for further legislative activity, include credit contracts, contracts for the sale of land, charitable trusts, damage caused by animals and the 1976 recommendations on unlawful killing.

Two other topics which do not emanate from the ordinary law reform committees and do fall into the contentious category have been the subjects of reports recommending major reforms: adoption; and defamation.

One topic which arises from time to time is that of reforming the law reform system.

The traditional argument has been between supporters of the present part-time committees system (whose ranks include the present Minister) and advocates of a permanent law reform commission with full-time members. The matter may involve a political decision at some future date but present indications are that a permanent law reform commission similar to the English, Canadian and Australian models is not likely.

In particular, the development of statutory responsibilities for law reform proposals in specific areas (given to the Human Rights Commission and the Securities Commission) and the recent improvement in the quality of Parliamentary scrutiny of legislation (a by-product of the often-criticised influx of lawyers into the House) appear to reduce the value of a New Zealand version of the overseas models.

Other Commonwealth countries have also been reviewing their law reform arrangements. Many of the suggestions resulting from those exercises may prove valuable. All of the suggestions may be found in the Commonwealth Secretariat's useful quarterly, the *Commonwealth Law Bulletin*. Two of them seem particularly opposite for New Zealand.

The first is the development of a direct link between the law reform committees and the legislature. In the New Zealand context that might mean creating a second division of the Statutes Revision Committee with specific responsibility to consider law reform proposals as they are published. But that raises wider questions as to the proper role of Parliamentary committees – questions with a significant political content.

The second suggestion is the establishment of a Register of Law Reform Suggestions, based on material gleaned from court decisions, academic writings, Parliamentary papers and interested bodies. It could serve as a springboard for academic research and would capture the many useful suggestions for changes in the existing law contained in many High Court judgments and in the Ombudsmen's reports.

The only difficulty with those suggestions is that they would tend to reduce the Ministerial role (and reputation?) in the pre-legislative phase of law reform.

Yes, folks, a small question of devolution.

Health officials keeping cork on wine label list

by Rae Mazengarb

NEW regulations to set standards for top-grade New Zealand wines may leave consumers bewildered. And it looks as if Government secrecy will be the culprit.

From October, wines labelled "premium" or "private bin" will have to have e minimum grape juice content of 95 per cent. For other table wines the minimum will be 80 per cent.

The Food and Drug Regulntions prohibit the name of the wine — shown on the lobel — from including any reference to a single variety of grape unless the winc has been manufactured from at least 75 per cent by volume of juice derived from thot variety of grape.

But the amended regulations may not help customers to easily identify top-quality wines because the implementation of the labelling clause must be dependent on en approved finite list of grape names.

Wine industry sources point out that some grapes hnve a variety of names used in different countries — for exemplc, Pinut Blanc is elso known as white Burgundy, Chardonnay, Chardenay, Pineau Blanc and Auxcrrois Blanc.

Health Department officials say that they are preparing such e list with the help of the Wine Institute. But they see no reason why that list should be mede public.

That means the consumer will have to reply on those "in the know" to check that winemakers are observing the law.

Observers say there will be areas of confusion, specially with white wines.

Wine buffs refer to the Riesling as "one of the aristocrets among wine grapes", producing a wine very different from e Riseling-Sylvaner, Sylvaner-Riesling or Muller-Thurgau — all a cross between Riesling and Sylvaner.

The cross occupies more acreage in New Zealand than any other grape, end gives mild wines.

Small quantities of the Riesling are grown, but it has been common practice to label wines Riesling when they are actuelly Riesling-Sylvaner.

Then there is the difference between a Gewurtz-Treminer and a Traminer.

What stance will the department adopt on these orees of confusion? And where does the consumer come into the picture?

Heelth Department food technologist Marion Thomas said the department and the Wine Institute had been "working together" on a list of grepe names.

"Using a name to describe the grape will give the consumer an idea of what to expect," she said.

Thus the new reguletions would prohibit wine-makers from using misleading labels.

But how could the consumer know that a particular wine was what the labelling suggested without a published list of approved names as e checklist?

Thomas said it had not been envisaged that such a list would be required.

An earlier inquiry to the department met with the response that while a list of grape varieties was being prepared, it would be discussed only with winemakers in the ambit of labelling. Thus it would not be aveileble to the public.

Labets . . . dependent on finite list of grape neme.

The Health Department has been secretive in other areas of concern to consumers.

When the department recently found a hot pool containing the deadly pathogenic amoebas, it would not reveal the name of the offending hot pool. The public stayed away from all hot pools.

Parakai businessmen are planning to approach the Ombudsman over the Health Department's handling of the amoeba affair.

In the wine area, the department has found companies watering their wine. But it keeps the identity of offenders confidentiel making all wines suspect. Only Health Department employees and selected politicians know which wines to buy and which to avoid.

Thomas told *NBR*: "We think the situation might correct itself," referring to the enforcement of the new regulations.

Asked how many extra Health Department inspectors would be required to monitor the wine labelling regulations, and what would be the cost to the taxpayer, Thomas said no extra inspectors would be needed.

The department had 100 inspectors, she said. As part of their duties, they had been responsible for controlling the wine erea in the past.

There would merely be "a greater emphasis" on this aspect when the regulations came into force, she said.

Another official said both Health Department and the Wine Institute would have a list to act as a guide to labelling.

It had been common practice for some local wine growers to label wines Riesling when they were truly Riesling-Sylvaner.

What attitude would the department take to this area of confusion, and what protection would the consumer get?

The official pointed out: not all true Rieslings are better than a Riesling-Sylvaner or Sylvaner-Riesling anyway — and a name by itself was not always a guarantee of quality.

He suggested: "We don't see anything wrong with making it available to the public (but) we weren't thinking it would be necessary."

Labour Dept may put agency staff in job queue

by Werren Berrymen

EMPLOYMENT agency executives are concerned at another State foray into the private sector.

The Labour Department has departed from its traditional role of helping the disadvantaged unemployed and has become directly competitive with personnel and management consultants.

It has moved into the market with an expensive barrage of full-page advertisements in daily newspapers, offering subsidies far employers.

The prime selling point for the department's services is that they are "free". (Employers must pay for services from a private agency.)

If employers hire through the Labour Department, they qualify for job-creation subsidies from the public purse. If employees are hired through private agencies there is no subsidy.

The immediate past-president of the New Zealand Federation of Personnel Services Inc, James Hainey, told the federation's conference in June that quarter-page advertisements then being taken out by the department in most centres "clearly indicated the Government's intention to compete with free enterprise employment agencies in New Zealand, and as is usually the case, using taxpayers' money to subsidise this latest flight into fantasy."

He pointed out that unemployment was not an across-the-board problem. It was a problem affecting mainly unskilled, semi-skilled trades and factory workers, but not accounting, marketing, EDP and other workers, he said.

According to Hainey, the Labour Department's proper role was to find employment for those on the dole, to establish retraining schemes for those thrown out of work by new technology, and to minimise the "disastrous impact of large scale retrenchments brought about by Government policy and economic fluctuations".

"The Department of Labour no longer seems interested in these major objectives, and instead seems intent to do its utmost, using taxpayers' money, to interfere with an no doubt put out of business, free-enterprise employment agencies," Hainey said.

Since Hainey made those remarks, Labour Department advertisements have increased to full-page size and the Budget in July introduced new subsidies to make the department's competitive position even stronger.

Government secrecy helps give the Labour Department a competitive edge. Employers must turn in a half-yearly job vacancy form. On the bottom is the loaded request: "If you do not wish the department to enter your above vacancies into its urgency register so it can refer suitable applicants to you, please tick this box."

The information provided by the unticked boxes is confidential to the Labour Department.

Private employment agencies, though they have to fill in the form themselves, and pay the taxes to finance the Labour Department's activities, can't get the information telling them what jobs are available.

An employer who goes through the Labour Department qualifies for subsidies up to $1300 — or $50 a week — for each new job created.

Private firms can't qualify for this subsidy. Nor can they offer free service.

The major advantage enjoyed by private agencies is that an employer can judge the firm by the quality and suitability of the applicants sent around.

Employers often find a waste of time the so-called job applicants sent around by the Labour Department.

Some job seekers are interested only in making the rounds required for more dole money, and are not seriously intent on getting a job.

An employer sent such applicants by a private firm would look for another agency.

Private agencies fear the increased touting for business by the Lobour Department will force them to close.

The Labour Department is no longer just dealing in unemployables and unskilled labour, but to an increasing extent is offering skilled labour and even executives.

The Budget gave the Labour Department more than $15.75 million for job creation and vocational training schemes.

Similar schemes in Britain and Australia have cost the taxpayer dearly and cut heavily into the private sector.

Unlike the New Zealand scheme, the British scheme is charged for. Nevertheless, it cost British taxpayers £685 million last year, and the British Manpower Services Commission employed 25,000 people to find other people jobs.

Private agencies fear that the same sort of bureaucratic empire-building may become the norm here.

The Labour Department has a personnel exchange system with Australia. The Australian system is expensive, bureaucratic, and hated by private companies.

John Meeuwsen, of the Australian Commonwealth Employment Service, is now working for our Labour Department. He has been quoted as saying that the main difference between the New Zealand and Australian employment services is in administrative size and structure.

Job service — a scheme just getting under way in New Zealand — is highly developed in Australia.

If such a scheme was adopted here, it is likely many new bureaucratic positions would be created and that some of those running private employment agencies would find themselves unemployed.

As one agency man put it: "Jim Bolger is whipping creeping socialism up to a full gallop."

Tribunal's Manawatu Radio rejection reversed

by Neil Ritchie

THE Broadcasting Tribunal was biased in rejecting the Manawatu Radio Company's application for a warrant earlier this year, according to the Chief Justice, Mr Justice Davison.

"I am left with the clear impression that the tribunal set out consciously or unconsciously to denigrate the effect of the evidence supporting the appellant's case", he said in upholding an appeal by the private radio company.

The appeal was based on three grounds:

- The tribunal took into account irrelevant considerations or failed to take into account relevant considerations;
- It acted on predetermined policy rules based on private opinion;
- It failed to reach a decision based on the weight of evidence.

Under section 30 of the Broadcasting Act 1976, the tribunal is required to take into account various matters.

In the application by the Manawatu company, three major issues emerged: The desirability of the proposed service; the effect on the finances of 2ZA, in Palmerston North, (and the Broadcasting Corporation's finances as a consequence); and the use of frequencies.

The tribunal said that "on these issues" it was unable to grant the application.

Manawatu Radio claimed the tribunal was preoccupied with protecting the corporation's overall financial position.

Refusing the warrant application, the tribunal said that if a warrant was granted "there would be a drastic drop of hundreds of thousands of dollars in the revenue of 2ZA and, although competition might sharpen its commercial performance, our overall impression was that even the applicants had to concede that it was doing a good job in the area."

It saw "some increase in the total advertising available" if another station entered to the market, but did not accept that a new station could exist without severely reducing the present station's surplus.

Manawatu claimed the tribunal gave too much weight to the economic effect which the establishment of a new station would have on 2ZA.

Indeed the Courts in *New Zealand Broadcasting Corporation* versus *Independent Broadcasting Co Ltd*, have said: "In a case where a new service is shown to be necessary or desirable in the public interest, the allowance of an appeal by the corporation on economic grounds only would amount to saying that the corporation's finances come first and the public interest second."

The Chief Justice said there were three significant factors which justified the appellant's criticism of the tribunal decision. He pointed out:

- 2ZA had a most satisfactory growth. Except for two years, there had been significant growth in the surplus income in the company.
- 2ZA was one of the two top, if not the top, money-earner for the corporation.
- The operating surplus for 2ZA in 1978/79 was $404,859.

"If 2ZA is giving the standard of service which it claims to be giving, then it should not fear to face competition from an independent competitor," the Chief Justice said.

The tribunal had criticised the applicant's proposed programme plans, although it considered some proposals would provide desirable services. "An alternative news service and current affairs programme of some length would be welcomed," it said.

"The efforts to provide information from outlying towns would support advertising from those areas and would be appreciated by the people in those towns."

The proposed station would broadcast 24 hours a day.

"Although evening audiences are comparatively small this is another merit of the application", the tribunal said.

But it saw no attempt to provide a service complementary to the corporation's and it "looked in vain for some indication of where among the directors and station personnel some flair and dynamism might be found".

The company had submitted three surveys to the tribunal. One, the Manawatu/Horowhenua Radio Trade Survey, showed that — with the right conditions — many local businesses would begin to advertise by radio; and some businesses would increase their radio advertising if a second station existed in the region.

The Chief Justice said he thought the Tribunal may not have given enough weight to the evidence of these surveys.

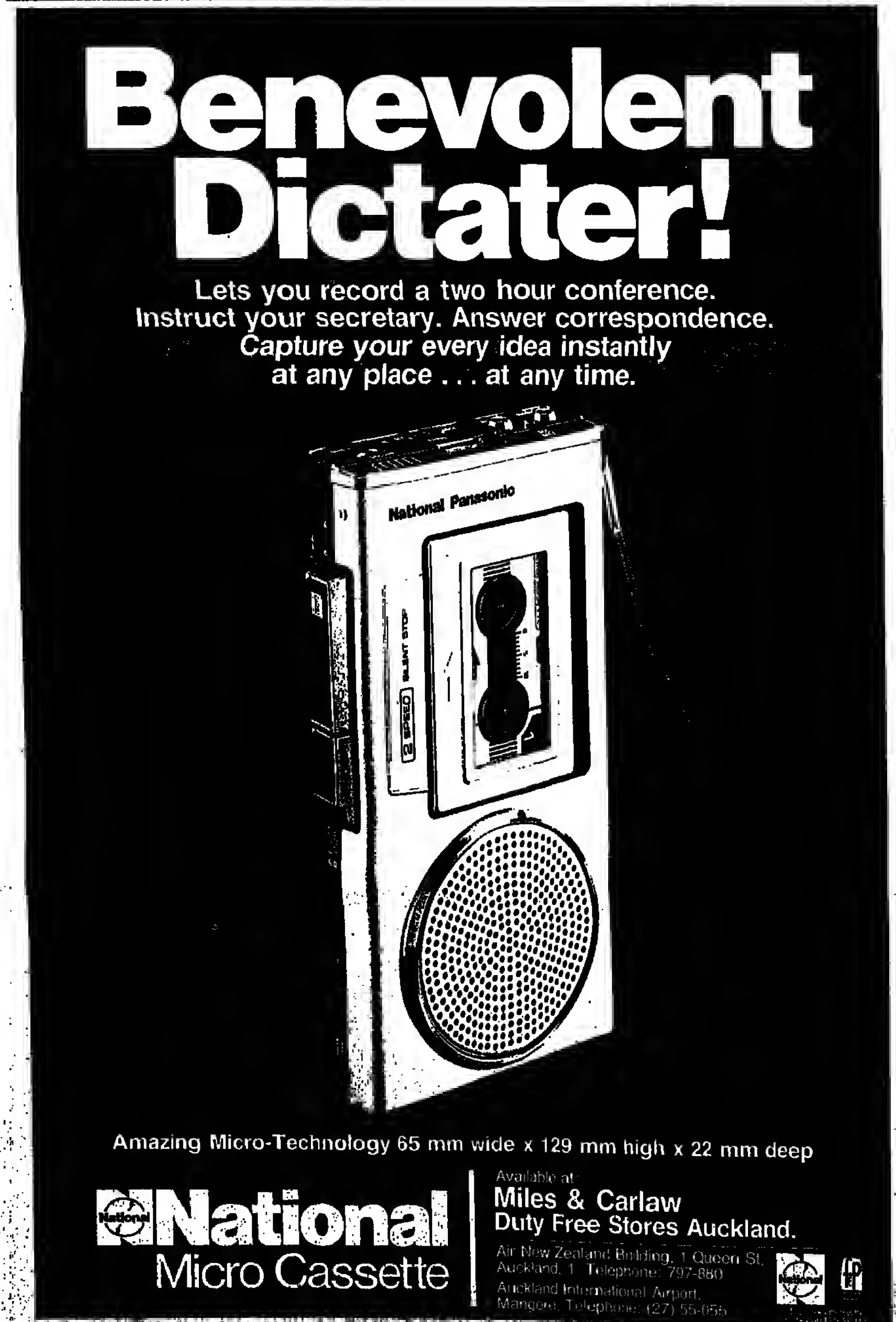
According to the tribunal, the proposed directors of the new station did not have the necessary broadcasting experience.

The Chief Justice, on the other hand, said "the applicant has produced a well balanced board with adequate experience in radio advertising and business management".

"The tribunal has not carefully considered the evidence and made a proper evaluation of it," he said in summing up on that aspect of the appeal.

The Manawatu company also claimed the tribunal acted on predetermined policy. The Chief Justice did not agree with this.

He not only allowed the appeal but directed the tribunal to ask the Post Office to allot the company a suitable frequency.



CER: Australian emphasis is on complementarity

by Colin James

NAFTA is effectively dead as a vehicle for movement toward free trade.

Whatever polite words may be spoken about its value in the past and potential value in the future, the dominant opinion across the Tasman is that there is no future in item-by-item haggling under an agreement designed to ensure no damage to industry in either country.

Australian negotiators have given New Zealand the message by taking a much tougher line on the detailed Nafta negotiations. They put nothing up in the August talks, and gave Lance Adams-Schneider little change in return.

Not no change. After initially rejecting a New Zealand offer of access for 30,000 small leather goods items into New Zealand in return for unrestricted access into Australia, they have apparently come back with some counter-offer.

But patience is thin. If New Zealand interests think they have the alternative to a closer economic relationship (CER) or going back to Nafta as it has been, they are almost certainly wrong.

Today's code word is rationalisation. In Australia that has already meant a substantial shakeout of industry and will mean more in the future.

Australians are not interested in a trade arrangement with New Zealand, which in spirit runs counter to that process.

So, frequently, the people I spoke to in Australia emphasised that the new closer economic relationship (CER) now being investigated must aim at complementarity between the two countries.

That means that some industries here would die, to let in imports from Australian companies that can make them better. And it means the same in reverse.

Possible example: New Zealand makes all the refrigerators for both countries but imports all its washing machines and driers. Just such a rationalisation has been going on within Australia.

But Australians are also determined by and large that CER should not become a means for, as one official put it, "taking in our own laundry".

That is, it should not ensure that industries that are inefficient in world terms are kept alive behind protective barriers. Preferential trans-Tasman access at the expense of more efficient third country imports is anathema to the long-term thrust of Australian restructuring.

A strong underpinning for this view lies in the marginality of New Zealand's place in Australian trade.

New Zealand now accounts for only about 5 per cent of all Australia's exports. As the resources boom develops, that percentage will drop further.

Even a big expansion of trade with New Zealand would not represent a great deal in overall trade terms.

It might represent important gains for individual companies or even industries. New Zealand is still the biggest buyer of Australian manufactured exports, taking just under a fifth (19 per cent in 1978-79).

Equally, loss of preferential access to the New Zealand market might cause substantial losses to individual companies, and even industries, in Australia.

So, there is an argument to be made for CEPR to provide or ensure jobs.

But these potential gains and losses do not weigh heavily with policymakers who, a few sceptics apart, think they have bigger fish to fry in Asia — and who will be able to ring up huge export increases in resources alone.

Could not these resources exports be used to keep jobs alive in "inefficient" industries? They could, but I found little sympathy for the view. Using CER to shore up jobs is not, or at least not yet, a compelling argument in Canberra.

In this context, the reasons for Australia going into CER are of the "better-than-a-kick-in-the-head", rather than the "offer-you-can't-refuse" variety.

But there is a more positive side to the Australian approach to CER.

Broadly, it centres on the desirability of presenting a common face to the world.

Deputy Prime Minister Doug Anthony takes this line.

"We are wanting to build a stronger common bloc," he said in an interview.

"It is good sense to maximise the populations and resources of both countries. Specifically, in agricultural exports, there is real value in coordinating our marketing arrangements.

"The benefits (of getting together) are widespread. Some are quite intangible. It would help us to live with greater unity and security."

Some commercial benefit, then; but more — a "security" benefit.

This theme was taken up by several people I spoke to. As one official put it, there is a sense of "loneliness" in a white Australia faced with a harsher economic and strategic world.

Add to that two other factors:

- A hankering by Prime Minister Malcolm Fraser to be seen as a statesman. CER offers that prospect with minimal economic and political risk;
- A fund of goodwill toward New Zealand at many levels in Australian society.

So, there is something for New Zealand to work on in the coming negotiations.

Restructuring risks in broader relationship

FOR New Zealand a closer economic relationship (CER) with Australia holds big opportunities and big risks.

The opportunities for New Zealand exporters on the bigger Australian market, and, using that as part of their home base, in other markets, are obvious though not inevitable.

The risks are those associated with restructuring. Would the bigger, tougher Australian industry simply swamp ours, 10 years behind Australia in the school of hard competitive knocks?

As David Morton of the Confederation of Australian Industry pointed out to a seminar in Canberra last month, CER would be likely to have a much greater restructuring effect on the smaller, less rationalised, more protected New Zealand industry than on Australian industry facing heavy restructuring anyway as a result of the resources boom.

Ian Douglas, director-general of the New Zealand Manufacturers Federation, agreed at the seminar that CER could "provide a significant boost to the restructuring that is now taking place."

So far, however, as he pointed out, CER and internal restructuring have been pursued independently of each other.

"It will be vital to bring them together as soon as possible," Douglas said.

Douglas saw exciting future growth prospects for New Zealand manufacturing, with "a pronounced shift towards resource-base industries."

"Important elements of this structural shift are still in the planning stage and it is important that to the greatest extent possible these developments in New Zealand proceed along complementary lines to comparable developments in Australia."

By and large, a positive attitude. But he acknowledged that "New Zealand manufacturers are taking a cautious view of the proposal to expand the trans-Tasman relationship.

"There is an underlying recognition of the rationale for such a change but there are fears in many quarters about the possible consequences."

Douglas's guarded comments go some way towards explaining the apparently ambivalent attitude of Prime Minister Robert Muldoon.

On the one hand, Muldoon talked last month (after the latest round of Nafta talks and review of CER progress) of "satisfactory progress" being made towards CER and that he was "keen that it should happen."

On the other, he made much of Australian demands for a more even flow of garments each way across the Tasman which led to the collapse of an agreement for preferential access to each country.

"These talks have made it clear," he said, "that there are interests in Australia that will prove to be stumbling blocks in the broader relationship."

The import of Muldoon's comments (hotly refuted by Australians who see Nafta and CER as separate) was that the decision whether to go ahead with a new trade arrangement will be political.

As Deputy Prime Minister Brian Talboys said in Canberra, nothing has been discovered that can't be *technically* solved.

What are the technical issues?

One is non-tariff barriers. By and large these are of more concern to Australia than New Zealand.

Possible solutions include a move towards common tariffs — regarded with suspicion by New Zealand which does not want the Australian tariff — or the use of area content rule.

But there are trade-offs.

An example from recent negotiations: the Australians will accept whiteware for duty-free access — horray, horray — but only if it includes 85 per cent New Zealand or Australian content, thus effectively forcing New Zealand refrigerator makers to use expensive Australian compressors. No deal.

Australians also complain about the generosity of New Zealand's tax allowances, particularly in relation to export incentives.

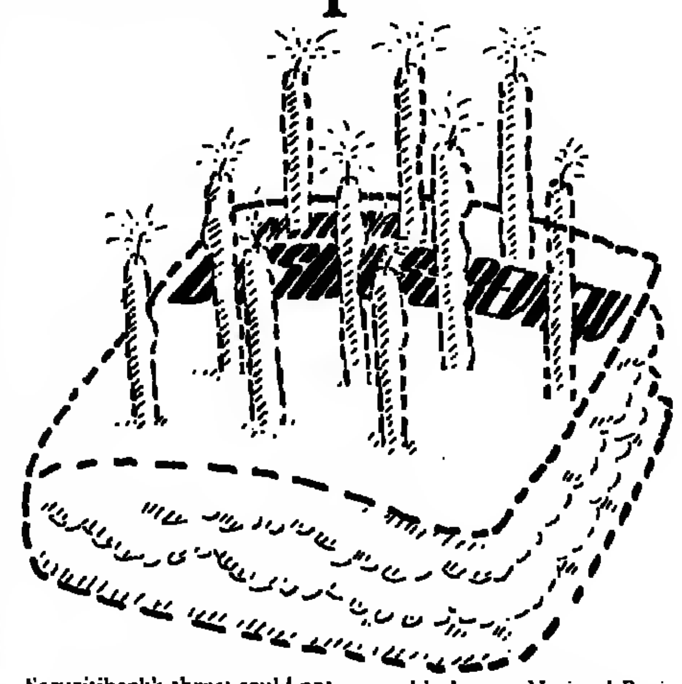
And they have a perennial complaint about New Zealand import licensing, particularly when it is applied to schedule A (free trade) goods and denies Australians access to the New Zealand market while letting New Zealand goods free to enter Australia.

The [illegible] complaint: New Zealand exporters are in some cases faced with Australian tariff quotas which can deny sales even though the New Zealand product is competitive (and even when it is supposed to have a guaranteed quota) because the quotas are in the wrong hands.

Another issue is the wage differential. Some Australians foresee companies shifting operations to New Zealand to take advantage of the lower cost structure.

Tenth anniversary

NBR pulled itself up by its own bootstraps



THIS four-page feature is primarily concerned with commemorating *National Business Review*'s 10th birthday.

NBR began publication on August 26, 1970 and for some time the newspaper, and its very survival, was the sole consideration of the founding directors and staff. Gradually there were spin-offs from *NBR* and consideration was given to diversifying the company's activities in what became, in time, the Fourth Estate Group of Companies.

But 10 years later, *National Business Review* remains Fourth Estate's principal undertaking and flagship — and this feature is dedicated to recording its first, lively and often controversial decade.

THE only significant newspaper to be established in New Zealand in the 1970s, *National Business Review* is now a solidly established weekly with growing staff numbers and a steadily rising circulation.

But if those who launched the paper in 1970-71 had foreseen the difficulties the paper faced, it might never have been born.

In its first offices in a converted flat in Wellington's Cable Car Lane, the paper's resources were so slender that it possessed only three chairs.

As the first editor, Barrie Saunders, and publisher, Henry Newrick, worked to produce the first issue, the extra chair moved back and forth to a careful timetable — with preference given to impressing the advertisers rather than the contributors. After all, writers could always stand and wait.

In July 1970, Newrick was publishing two subscription newsletters, *Property News* and *Oil and Mineral Bulletin*. In Australia such ventures had prospered, but in New Zealand both had difficulties. The small market produced little news, and advertisers were not interested.

But the demand from readers was clear. They wanted financial information — fast, accurate, and interesting.

It is difficult now to remember just how primitive the New Zealand news coverage of business matters then was. Some publications would print anything provided accompanying advertisements were purchased; others faked circulations and charged advertisers outrageously. Several publications were known to be associated with particular commercial or opinion groups.

The oil and mineral boom of 1969-70 introduced many readers to overseas financial journals — and so an appetite for a New Zealand publication grew.

In July 1970 the *New Zealand Investment Review* was announced, and on August 26, as *National Business Review*, it appeared.

The 20-page tabloid was the product of the work, and faith, of many still associated with the publication today.

Newrick had persuaded the late Rex Lucas, of the *Nelson Evening Mail*, to print the paper. Initially it was to be edited by a combination of Barrie Saunders, Hugh Rennie and Spiro Zavos, with assistance of a part-time sub-editor. After a dispute on policy, the sub-editor decamped with much of the original copy, delaying the first issue a week.

Realisation of the work-load was dawning. Saunders became full-time editor. The masthead and related graphics came from a brilliant young graphic designer, David Cowe. Contributors included Ian F Grant, an advertising man and part-time writer.

"*National Business Review* represents no sectional interest", said the paper in its first editorial. "We have no political or economic views to impose on our readers. We aim to be independent, serving all men but a servant of none.

"If *National Business Review* stands for anything, it stands for a deep faith in this country. With all its imperfections, New Zealand's way of life stands for something in this troubled world."

The initial issues tried hard to meet the promises made to its intended readers. But the promotion of the paper proved hard. Initially newsboys scoured the streets of Wellington seeking buyers on publication day — a scheme called off after one issue when angry newsboys assailed Newrick, their supplies almost entirely unsold.

The single chair kept moving between offices. *Property News* and *Oil and Mineral Bulletin* were merged into the new paper. All Newrick's considerable flair for advertising sales was flung into the paper.

In its first months, the paper correctly picked many future stories. It published details of the second television channel scheme, identified the coming property speculation boom, discovered Bob Jones as a media figure, correctly predicted Companies Office and speculation tax reforms.

In November the chair collapsed — symbolic of the paper's financial state. Undercapitalised, with a voracious appetite for promotional money, the *Review* could not pull itself up by its own bootstraps. In December 1970 Saunders resigned and went overseas. Even Rex Lucas's faith was becoming strained by the size of the unpaid printing bills.

Two events occurred separately but moving toward a common conclusion. Newrick began to scour Wellington for further capital. Meanwhile Dave Cowe's design company partner, John Barnett, also concerned at unpaid bills, saw merit in the paper and tried to salvage it.

Newrick's inquiries took him to Peter O'Brien, and through him to several Wellington investors. Barnett, aware that money would solve nothing if an editor could not be found, discussed the problem with Grant. It so happened that Grant and Reg Birchfield, who had recently gone into partnership in a communications consultancy, were looking for an opportunity to test their editorial and publishing theories.

They believed, from sometimes bitter first-hand experience, that the New Zealand press approached both journalism and the broader field of publishing with timidity and lack of flair.

They agreed to take over the editing and management of *National Business Review*, which was then on the point of collapse. In January 1971, never missing an issue, *NBR* appeared with new capital, new ownership and new team.

Birchfield and Grant took over in Christmas week 1970 with no copy stockpiled for the first issue of the new year. Grant, committed to a family holiday at Riversdale on the Wairarapa coast, spent most of the time inside writing a succession of pieces — editorial, book reviews, comment on the standard of companies' annual reports, and so on — to fill the first 1971 issue. In Wellington Birchfield put the issue together.

Over the next few months they worked 80 hour weeks, not only putting issues together but planning major shifts in the publication's design, and coverage and publishing approach.

While working as chief reporter of the *Sunday Times*, Birchfield wrote such major business stories as the intention of a Japanese team to investigate the New Zealand share market, the New Zealand Motor Corporation merger, and the dangers of syndicate investment.

Grant, working during the day as an advertising and marketing consultant for advertising agencies and other clients, gave his primary attention to the development of a marketing strategy for *NBR*.

The first essential was to substantially raise paid circulation, which had been found to be under 1000. Grant, determined to raise paid sales to 3000 as quickly as possible, began the era of the great giveaway.

He gave away nearly 200,000 copies in 1971 alone. His programme used mailing lists, letters, advertising, and newsstand promotions. Next he gave away premiums — books, biros, petrol vouchers and even, to the Government Printer's dismay, copies of the *Official Yearbook*. The *NBR Yearbook* was primarily devised as a promotional device to sell *NBR* subscriptions — and large numbers were posted out to potential subscribers. Of course, the publication had to be good to be a showcase for *NBR* and took on a life of its own.

Next, Grant developed supplements. The March 1971 issue reached 48 pages, including three in full colour. It sold 2000 — and 25,000 copies were mailed out.

The physical effort was horrendous. Directors and shareholders, friends, playcentres, school committees and others were dragooned — for love or minimal payment — into stuffing newspapers into envelopes. Mailing lists overlapped, drowning some readers with three, four, even seven copies. The Post Office rebelled under the flood — for some years the office wall displayed a "Gone No Address" stamp on an item addressed to one R A Brierley.

NBR celebrated Independence Day — July 4 1971 — with Reg Birchfield becoming full-time editor; Ian Grant was deputy editor and marketing director on a part-time basis.

National Business Review grew in size, quality and status. By December 1972 — after two years of large scale promotion — an exhausted Grant could report paid sales of over 3500.

Clearly readers liked the paper's blunt, frank approach to business news. So did advertisers, once they had got over the initial shock of a publication whose views could not be bought, which would not print supplied articles, and which sailed cheerfully ahead in the face of threats of gagging libel writs.

Attempts to intimidate the paper dated from its very beginning. In 1970 one small advertiser threatened to cancel, cancelled, and never returned.

But 1972 saw the start of a series of much heavier threats. On April 4 1972, *National Business Review* sounded a warning about the JBL group — and followed it up with further warnings. Through an intermediary, JBL threatened defamation proceedings, with the alternative of a large advertising contract in return for silence. The articles continued.

Future years saw warnings about Circuit, Landel, and Securitibank (among others). In each case the company collapsed later, but Circuit issued $400,000 of defamation writs, and Landel $120,000. Securitibank's threat could not be carried out before the group collapsed.

The paper's commitment to good journalism has cost it heavily in financial terms. In the early years, staff were seriously underpaid as the paper could afford only minimal editorial payment

It has paid thousands of dollars in legal costs resisting libel claims, though payments to claimants are still minimal. Profits from other activities, have been used to produce funds to support the paper — with the result that it was only after six years of work and a capital investment of $75,000 that shareholders received their first, small dividend.

In 1972, *NBR Marketplace* was launched, and was immediately successful. But five years later this very popular advertising and marketing magazine, the brainchild and jealously guarded "hobby" of Grant, was merged into *NBR*. Its unusual, high quality format fell victim to sharp rises in postal and printing costs.

Also in 1972, Fourth Estate dipped a toe into the book publishing field with Reg Birchfield's *The Rise and Fall of JBL*. In an amazing 1½ months, Birchfield researched and wrote the paperback that was acclaimed in New Zealand and overseas and was subsequently a prescribed text in university business courses.

In 1973 negotiations to acquire the old established business directory, the *New Zealand Business Who's Who*, finally succeeded. The publication was immediately changed from manual to computerised compilation, extensively redesigned, and has been brought out on a annual basis since 1974. With a complete revision of listing qualifications, expansion of data and a sophisticated marketing programme, sales of this authoritative directory have doubled.

By late 1973, the paper itself was a well-established fortnightly with paid sales approaching 5000. Its tabloid issues frequently reached 32 pages, and the company, though not strictly profitable, had recovered its initial losses. The shakedown period had seen most shares come into the hands of the board of directors, which then comprised Hugh Rennie (chairman), Reg Birchfield (managing director and editor), Ian F Grant (marketing director and deputy editor), John Barnett, Grahame McLean, Henry Newrick, and Tony Richardson (secretary).

On April 3 1974 a new gamble began, *National Business Review* became a weekly — "New Zealand's national weekly of business and affairs". Overheads rose, advertising sales did not, and the paper began a new battle to survive as New Zealand entered a period of marked economic downturn.

Mid-year, the group expanded its capital, took in new shareholders, and formed a holding company. As Fourth Estate Holdings, the new company controlled subsidiaries publishing newspapers, magazines and directories, including another new publication, the *Guide to the Top 100 Companies*.

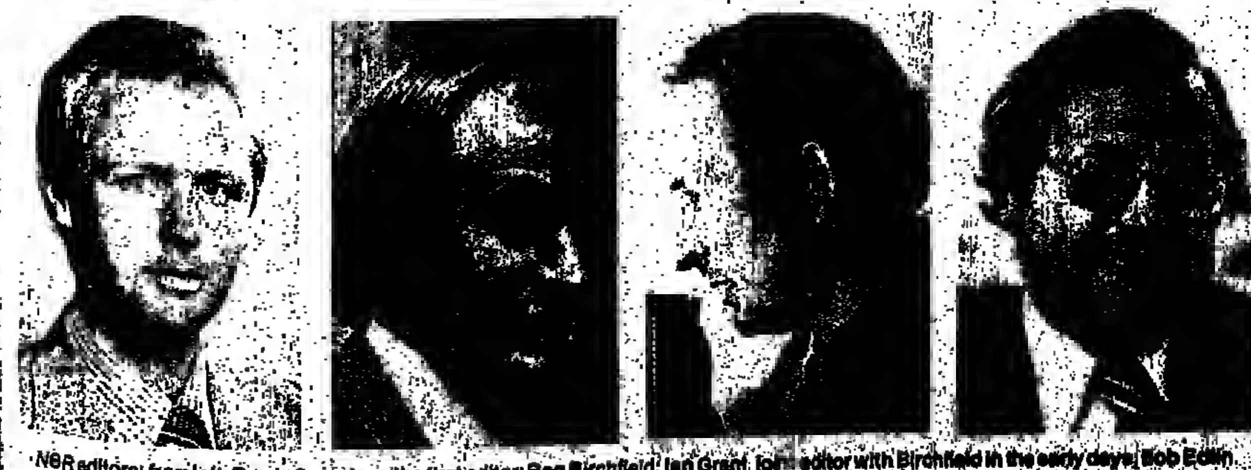
Further publications were acquired. From Auckland the group purchased *Admark* and *Data Processing*. The former faltered, in poor health, for a year before it was successfully merged in *NBR*; the latter became a success story in its own right as it was gradually developed into a thriving monthly computer newspaper.

Other publications the group published under contract at various times have included the *NZ Licensee* and *NZ Plastics* on behalf of their respective trade bodies; and *NZ and South Pacific Aviation Digest*, which has now ceased publication.

1976 saw the launch of Fourth Estate Books, a company which was initially experimental but is now firmly established. Its publications have included an internationally praised law book, *Tort in Transition*, two sell-out Christmas books in 1976, *The Thoughts of Chairman Fred* and *Inside Down Under*, the New Zealand bestseller *Jones on Property* (now in its fifth edition), *The Real Muldoon* by Spiro Zavos, *The Future for NZ Agriculture* (for NZ Planning Council) and two further Christmas best-sellers, *The Class Book* and *Thank You For Having Me* in 1979.

But if Fourth Estate's activities have become increasingly diversified, the central emphasis has always been on the newspaper. At no stage has profitability been pursued instead of quality, and it has continued to expand under a long-term plan to make it a larger, even more comprehensive publication.

Despite the strong growth of other news services in radio, television, and the daily press, it continues to provide a unique business and financial news and features service.



NBR editors: from left, Barrie Saunders, the first editor; Reg Birchfield; Ian Grant, joint editor with Birchfield in the early days; Bob Edlin.

Publication stakes claim to market segment

IN recent years several magazines and newspapers have started with great enthusiasm, fired with ideas and ideals. Invariably, they have failed because they lacked a balanced approach to publishing. These publishing ventures have been the brainchildren of editorially orientated people who have eschewed the business realities of publishing; or they have been started by ambitious entrepreneurs with little awareness of the importance of the right editorial mix.

National Business Review was fortunate that its two working directors, Reg Birchfield and Ian F Grant, had dovetailing and overlapping experience in practically all areas of newspaper and magazine production and had enough painful business experience to know how and when to mould their objectives to marketing realities.

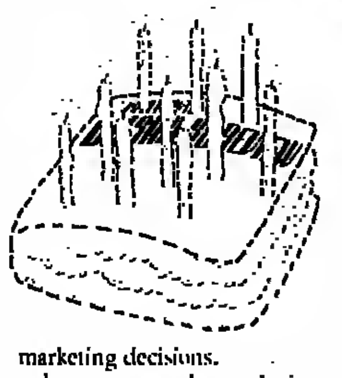
Both Birchfield and Grant had been primarily interested in establishing a New Zealand equivalent to the American news-weeklies, but they also knew the heavy odds against such a publication in the New Zealand market. Equally, they could see the gap in the market for a business weekly that had attracted Henry Newrick, Hugh Rennie, Barrie Saunders and Spiro Zavos.

But it was also clear to Fourth Estate's new board, and particularly to Grant who already had considerable marketing and advertising experience, that it was not sufficient to simply produce another business publication and expect the readers and advertisers to come flocking. The lack of a clearly defined role within the business market had almost ended *NBR's* short life by December 1970.

As marketing director, Grant recommended that all *NBR* editorial, promotional and advertising effort should be directed at one, small segment of the business market. He reasoned that the entire business market contained many elements with little in common with each other; that it would be too expensive to promote to the whole of the business market with *NBR's* slender resources; that advertisers interested in one segment were not interested in others.

The smallest and, to advertisers, the most important segment consisted of business and governmental decision-makers. Surprisingly, no other business publication had attempted to capture this most influential of business markets. *Time* magazine, much more sophisticated than local publications in marketing terms, called itself the "decision-maker medium" but, of course, had a much wider and more diversified readership.

The decision to aim *NBR* at the decision-maker market in New Zealand was assisted by the very close liaison between editorial and marketing. Both Birchfield and Grant had editorial functions and both were involved, in varying degrees, with marketing as well. The contents and design of *NBR*, the circulation-building promotions, the decision to go weekly, and so on, were all closely integrated editorial/marketing decisions.



In many ways the marketing decision to concentrate on the decision-maker market solved editorial problems. Decision-makers in all areas of business, industry and government shared many concerns and there was a common interest in political and economic news and comment.

A pooling of ideas by Fourth Estate directors, trial and error and subsequent research studies that probed reader attitudes to *NBR* coverage, produced an editorial mix that appealed to the senior managers and officials that make up the decision-maker market.

In the early years *NBR's* principal promotional medium was direct mail . . . and with run-on copies costing so little, why not let the product speak for itself? In the 1971-3 period there was a wide distribution of free copies and premium offers. And for several months there were specially wrapped copies of *NBR* for travellers on NAC's early morning business flights.

Not only was there a carefully structured promotional plan, but there was also particular care taken to aim the promotional effort at *NBR's* target audience — the high earning and spending 10 per cent of the executives and officials who make most of the important commercial and governmental decisions.

To ensure that *NBR* was regularly reaching the target audience, the drive was for subscribers rather than casual shop sales. At the beginning of 1971, shop sales represented [illegible] per cent of paid circulation; by year's end subscriptions accounted for 86 per cent. Today less than 3 per cent of paid sales are casual shop purchases.

Advertisers and their agencies responded to the arguments — and later research that showed the critically important role of senior management and *NBR's* success in reaching that audience. As *NBR* saw it, senior management played an all-pervasive role in purchasing recommendations and approvals in the companies they managed and controlled; they significantly influenced — through interlocking directorships and common membership of clubs and associations — the reputation and standing of all kinds of companies, their products and services; as the most affluent section of the community with the highest disposable incomes, they were the prime target for top-of-the-market brands and services.

Design conscious

DESIGN has been an important element in the *NBR* story from the beginning. David Cowe, Fourth Estate's designer and a shareholder in the company, was involved before the first issue was published — he designed the original masthead and has made several modifications since.

Cowe and marketing director Ian Grant, whose interest in design and awareness of its importance came from his years as creative director in advertising agencies, have worked closely on all aspects of Fourth Estate design over the last decade. They have planned and executed a succession of *NBR* facelifts, laid out new publications, prepared a wide range of promotional material, designed books, and so on.

Cowe, a graduate of the School of Design at Wellington Polytechnic, also studied in London. He was partner in the successful Wellington graphic design studio Super Graphics with Fourth Estate director John Barnett.

In recent years he has tutored at the School of Design in Wellington while furthering his reputation as a graphic designer of great versatility and inventiveness.

During the last two years he has cut back his teaching hours as the demand for his work as a book illustrator has increased.

From the very beginning there has been a design budget for *NBR* — as for other Fourth Estate publications — and clear ideas about the role of design in the newspaper world.

As Grant says: "We have never liked the predictability and messiness of newspaper design in this country and we wanted to have a distinctive look to *NBR*. On the other

David Cowa

hand, we quickly became aware of the design limitations of a tabloid page carrying a high percentage of advertising and, with our very limited staff resources, it was necessary to have the simplest, fool-proof design format for pages."

The compromise was to have as clean and "airy" as possible format and to use as much line illustration as possible to add visual variety to the photography most newspapers use exclusively.

When it was decided in 197[illegible] to compartmentalise the newspaper more, the various section identities were established with a series of boxed line illustrations. More recently, in an effort to streamline *NBR* visually, typographical lines have been used to identify regular sections.

In part the decision to produce *NBR Outlook* in the broadsheet form was to overcome some of the frustrations of working exclusively in the tabloid format. The excellence of design and the wide range of illustrations Cowe produced show he relished the opportunity.

The first decade at *National Business Review*

1970

FIRST issue of *National Business Review*, August 26. A healthy looking 20-page issue.

Despite brave protestations, soon signs that all not well. Cover price halved to 15c with third issue.

Barry Saunders appointed editor, with publisher Henry Newrick (Property News Ltd) selling the advertising. Succession of 16-page issues with fewer and fewer advertisements.

Contributors included Peter Debreceny from TV's "Gallery", David Shand and Bill Rowling — billed as economist and MP for Buller.

Ian F Grant contributed advertising marketing column, alternating with Michael Wall.

NBR probably began Robert Jones cult with long profile and photograph of house sign that read: "Trespassers will be shot — the wounded tortured".

Overseas editorial content increased including series of articles about Bernie Cornfield.

There was a three-week gap between November 16 and December 7 issues.

1971

FROM the first, January 1971, issue, *NBR* was published by new owners, first listed as Business Publishing Associates. Wanganui Chronicle replaced Nelson Evening Mail as printer.

Henry Newrick alone on masthead as advertising manager, until Reg Birchfield and Ian F Grant, major shareholders in the new venture, listed in February as joint editors. Birchfield uncovers first 'scoop' — merger between NZMC and Leyland in NZ.

Designer David Cowe began to contribute illustrations.

A succession of 12-page issues until March 1.

NBR's first special feature, "Advertising and Public Relations in the Seventies", was inspired by Grant's one-time ad agency career. The associated seminar and the 48-page issue with colour advertising signalled a number of important breakthroughs.

In March 29 issue, a leisure reading section, devised and edited by Grant, appeared for first time. The "After Five Section" ran monthly until August 1973.

Publishers listed as Fourth Estate Publishing Ltd from March 15 issue. Fourth Estate philosophy emerges: emphasis on local content; no PR puffery; investigative stories and features; regular coverage of key topic areas.

Most issues run to 20 pages; July 19 issue, including International Trade Fair Survey, 56 pages.

Birchfield named managing editor, Grant features editor.

In October-November Birchfield made first overseas foray to research and write a special feature on Australia.

1972

NBR beefed up financial coverage with four-page "NBR Financial Lift-Out" section from February 7 issue.

Major feature series on the professions began April 4.

In June 12 issue, Grant began "Marketplace" column that grew into quarterly magazine at year's end.

Most regular feature writers, Denis Wederell and Peter Cape.

Commitment to greater political coverage emerged with special election issue on November 13, including detailed look at two Wellington seats.

NBR won Business Press Association's 1972 award for editorial excellence — for stories about the troubles at JBL, the AMP proxy war, Doring Implement Supplies Ltd court case, accurate predictions about general election.

1973

FROM early in the year, 24-page issues the norm. Fifty-two page issue on June 11, with "Business Revolution" feature tieing in with *NBR* Business Efficiency Exhibition held at Epsom Showgrounds in Auckland.

Associate editor Grant travelled to Australia and New Guinea to write Australia/Papua New Guinea feature for October 15 issue.

"One stop reading" concept with regular publication of 25 specialist pages covering wide range of business, management, financial fields introduced October 29.

Average issue up to 32 pages. Financial lift-out expanded to eight pages.

NBR Marketplace named best business and management publication in 1973 by Business Press Association.

1974

EDITORIAL and advertising staff changes listed in January 21 issue. Birchfield remained editor, Grant became deputy editor, Nevil Gibson named associate editor. Newrick advertising director and Paul Loh joined as advertising manager.

Klaus Sorensen joined editorial staff.

On April 3, *NBR* became New Zealand's first and only business weekly. With April 17 issue series of longer features on art paper run as centre spreads. Regular issues 20 pages.

NBR Business Week section supercedes Financial Lift-Out.

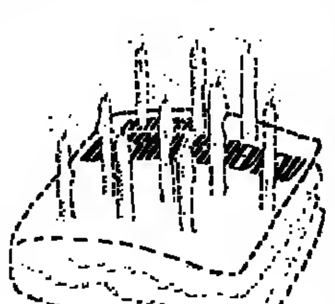
Barrie Saunders rejoined *NBR* as journalist; Gordon McLauchlan became Auckland correspondent. Nevil Gibson appointed deputy editor mid-year.

From August 21 issue Paul Loh took over full responsibility for *NBR* advertising. In early October, *NBR* moved from Paragon Chambers in Cable Car Lane to converted warehouse space in Sargoods Building, Hunter Street.

Reg Birchfield started "Without Word of a Lie" column in November 27 issue.

1975

IN February 26 issue Ian F Grant began satirical column "Inside Down Under" that succeeded in its aim of offending politicians of all persuasions. In the April 2 issue, Bob Brockie's first cartoon appeared and recorded the passing of the NZBC (New Zealand Broadcasting Castration).



Karl du Fresne joined editorial staff which had increased to six.

Barrie Saunders wrote a "Marginals Under The Microscope" series as pipe-opener to a comprehensive election year coverage.

Admark, a monthly purchased by Fourth Estate, absorbed into *NBR*.

In May, Peter O'Brien, a previous contributor, re-joined *NBR* with his authoritative "Business Unlimited" column.

Author of popular and colourful political column was Spiro Zavos.

In the November 5 issue, *NBR* began a long and continuing association with political polling conducted by the Heylen Research Centre. Research information allowed Reg Birchfield to confidently

Continued on Page 32.

Original Fourth Estate board reunited at earlier anniversary celebration: Grahame McLean, Hugh Rennie (behind advertising manager Paul Loh), Reg Birchfield, Henry Newrick, Ian Grant, John Barnett. Absent is Tony Richardson.

Tenth anniversary

Continued from Page 31

predict a National victory against the trend of media opinion — in both editorials and articles the two weeks prior to election.

1976

GRANT back as deputy editor and Bob Edlin joined the six-man editorial team. In April, Reg Birchfield filed *NBR* stories from the United States.

Judy Nalder joined staff as sub-editor; Barrie Saunders left.

In August 4 issue *NBR* began significant series of articles, "The politics of change" by Professor Robert Chapman, based on a major, unpublished Heylen survey.

Karl du Fresne left. Warren Berryman joined editorial staff in October.

In November, Bob Edlin moved up to deputy-editor; Grant to devote more time to marketing-director role.

1977

PETER O'Brien now principal contributor to *NBR* Business Week section.

In March, Bob Edlin named editor of *NBR*; Birchfield full-time managing director of group: Increasing number of 24-page issues.

1978

NBR began, in March 1 issue, a series of articles that resulted in what became known as the "La Varis Affair" which led ultimately to court cases and considerable changes in import licensing procedures in 1980.

In April, Colin James joined *NBR* as political editor; Warren Berryman set up full-time editorial office in Auckland replacing part-timer Gordon McLauchlan. Rae Mazengarb joined *NBR* in Wellington as journalist.

In April, Birchfield and Grant edited a 40-page broadsheet special on election year; *NBR Outlook* was highly successful and became a regular, twice yearly part of the *NBR* subscription package.

Colin James began in June issue, a comprehensive election year coverage with new segmentation analysis of Heylen's post-1975 election survey.

Amy Brown began, on June 21, a series of six article investigations of the Health Department computer issue — a series that the daily press picked up and headlined nearly two years later!

In late June, *NBR* moved for a third time — to its own specially designed building in Blair Street, Courtenay Place.

In late August, *NBR* ran extracts from the most controversial book of the year, Spiro Zavos' *The Real Muldoon* — also published by Fourth Estate.

Average issues 24 or more pages.

Belinda Gillespie joined editorial staff.

NBR election coverage included underwriting, with TV One's Prime Time, special surveys in the Roskill and Wairarapa electorates.

November 15 issues devoted 32 pages to election, with special emphasis on in-depth coverage of Roskill and Wairarapa.

Warren Berryman won second place in CBA Bank Award for economic journalism. Berryman also won Jubilee Award for Investigative Journalism.

In November, Wanganui Newspapers relinquished printing of *NBR* to original printer, Nelson Evening Mail.

1979

RALPH Green joined *NBR* as production editor; John Draper as journalist.

Gradual increase in percentage of colour advertising; 32-page pages the norm.

In June, PM Muldoon refused to discuss his economic strategy with political editor James, preferring "to talk to less biased journals".

NBR insurance writer Jim Sloan won AMP prize for financial journalism for second time. (Previously in 1977).

In May, after editing an issue of *NBR Outlook* devoted to New Zealand's agricultural future, Birchfield and Grant wore their managerial hats at international magazine publishers conference in Oslo, Norway and studied viewdata developments in Britain.

A special energy issue of *NBR* on September 5 drew plaudits for its unravelling of a complex issue.

From the first issue of November, weekly publication date moved from Wednesday to Monday. The move was prompted by poor postal deliveries and facilitated by establishment of new Paraparaumu plant by Nelson Evening Mail.

In November journalist John Draper and advertising manager Paul Loh travelled to Singapore and Malaysia to prepare a special feature on the two countries.

Final, December 17, issue of year in broadsheet format for first and last time ... to accompany *NBR Outlook* (edited by Reg Birchfield and Max Varnham devoted to summing up the 1970s), Berryman first prize, CBA Economic Journalism Award; Qantas Award for best single story of 1979 and Belinda Gillespie wins the Pharmaceutical Manufacturers' Association award for Health Journalism.

1980

REGULAR 32-page issues and sharp rise in colour advertising.

Ann Taylor joined *NBR* production staff.

Stephen Bell (editor of *NZ Data Processing*) and Jan Hodder (editor, *The Capital Letter*) also listed as *NBR* editorial staff.

Bob Edlin edited tabloid issue of *NBR Outlook* that peered into 1980s crystal ball. On May 12, beginning of series of articles on Government's transport fuels policy by Eric Geiringer, which caused widespread interest.

Belinda Gillespie left to join public relations firm.

Series of stories by Warren Berryman about activities of trade press publisher led to Supreme Court judge granting *ex-parte* interim injunction against *NBR*; injunction thrown out later in month.

Gordon McLauchlan returned to *NBR* on part-time basis; John Draper left to travel overseas.

Overseas trade

Pies titillate tastebuds in demanding market

by Lindsey Dawson

WHEN one of Columbus Lines' giant cargoships arrived on the American west coast recently, the master's own freezer was emptied of an unusual load — meat pies and blackcurrants — to be tried on the tastebuds of Americans.

They're just two of many Kiwi products an American, now resident in Auckland, is promoting in his homeland. Both have the potential for big dollar earnings for New Zealand.

The blackcurrants, from the Canterbury Berryfruit Co-operative Ltd, are being tested for jam by the mail-order gourmet suppliers, Harry and David. At the other end of the gastronomic scale Bonanza Pies are getting good reviews in Oregon.

The great New Zealand pie is virtually unknown in the United States. Managing director of American Allied Trading Ltd, Steven Merrill, sees no reason why they should not become as familiar as tacos, 'burgers and fried chicken in the buoyant American fast-food market.

The products were carried free by Columbus in the interests of developing new markets which may in future provide steady cargoes.

Other carriers are equally helpful in providing free carriage of test consignments. When Global Spa, another client of Merrill's exhibited spa pools in Los Angeles earlier this year, Continental Airlines provided space for a ton of promotional material, along with 45 cases of sparkling apple juice from Summerland Nurseries in Levin destined for Reno, Nevada.

"The clubs there are interested in non-alcoholic drinks. People spend all day and night gambling and there's a market for a pure, refreshing drink. You can't drink cocktails all the time."

Merrill's fast-expanding business began early last year when he and his New Zealand wife Loretta came here to give their children a taste of Kiwi education.

They met when Merrill was posted to Christchurch in the 1960s to work on weather research for Operation Deepfreeze. After he left the military 11 years ago they worked together in wholesale merchandising and construction.

"We had been considering living in New Zealand but I didn't think the business opportunities would be here — but I changed my mind and we never went back to the States.

"As I talked to people here I kept getting so much input as to how New Zealand was going down the tube and that people were leaving in droves. But I saw the opposite. Every place I looked there were business opportunities and products which I know would go on the American market."

He saw that small businesses here needed to know how to take advantage of export incentive schemes, and that they needed help in marketing at the other end.

In New Zealand he is tied up with the accountancy firm McElroy Speakman and Co so that he can offer export-orientated accountancy assistance on a consultancy basis to his clients. He uses the market research firm of Elrick and Lavidge Inc in San Francisco to sound out market possibilities and data in the United States.

The American end of the business, directed by Mal Nadler in Oregon, acts as an agent for American buyers, correlating promotion activities through the New Zealand sellers — an expense made possible by New Zealand's export incentives.

Kiwi pie . . . could become as familiar as tacos, 'burgers and fried chicken

"The problem in exporting is that the buyer can very often get what you're selling from a supplier in his own home town. Our competitive edge comes from the fact that we can supply advertising and promotion along with the product."

Merrill has high hopes for the blackcurrant market. There is no commercial growing of blackcurrants in the United States. Local stock there harbours a bug which affects white pinus trees on the west coast.

Merrill submitted proof to the American agricultural authorities that New Zealand's blackcurrants were bug free, and received permission to send off a trial shipment.

He ignored the big jam companies — "the quantities they would require would be so huge that we couldn't hope to supply them" — and went instead to Harry and David, purveyors of fine foods which could be described as the Harrods of America.

They were impressed with initial jam-making results and are now conducting shelf-life tests which Merrill and the Canterbury growers hope will lead to substantial orders.

American Allied Trading has branched out into South America through the services of Colombia businessmen Rodrigo Salazar.

"In South America local connections matter. He has contacts in agricultural and forestry concerns who are very interested in what New Zealand has to offer."

Post and pole peelers, portable sawmills and post-cure systems are now on the export list. "Tanalising systems are also unknown there so we're promoting Transport Nelson's sap displacement machinery for fence posts. This is a high-pressure system which forces the sap out of the end of the logs and replaces it with tanalising treatment. The Colombian Dairy Board is interested in Yates-Cooper's solar electric fences. The agricultural technology field has enormous potential."

Salazar arrives here this month to take up full partnership with Merrill in New Zealand. He will continue to run the South American export business from Auckland through Colombian contacts.

Books

Poetry pitched at the ordinary reader

by Gordon McLauchlan

POETS enjoy big audiences *just as other artists do* — those who can attract them. The writers' visits-to-schools programmes of recent years and poetry and jazz concerts are attempts to promote New Zealand verse and extend its cultural influence.

But there is no contemporary poet with the kind of folksy, almost political, impact that A R D Fairburn, Denis Glover and James K Baxter made on the community in their prime. Glover has just gone and his irreverent versifying will be missed because it was a bridge between poets and people.

Poetry needs a hero. Sam Hunt is the nearest thing we have, but he's a droll observer rather than a charismatic figure himself. He lives out of town. He is a sideshow rather than a main event.

All of which is not to compare odiously present poetry and poetry past, because there are some fine practitioners writing at the moment (many of the newer ones women, by the way). But there is a danger that poets, feeling apart from the common currency of communication, will withdraw into an esoteric world, preening each other's words and rebuffing an audience except on their own special terms. It can be a neurotic rejection of people for fear of people rejecting them.

I detect something of this in the introduction to *Fifteen Contemporary New Zealand Poets*, edited by Alistair Paterson (Pilgrims South Press, Dunedin). The anthology includes the work of 14 well known writers, most of them solidly and deservedly established, and one who has not before been published.

The poetry has too low a proportion of wit for my personal taste and aims too much at world-weariness, but there is nothing in the book that isn't well worth the read and not much that doesn't have at least some small revelations. Except the introductory essay, that is, by editor Alistair Paterson, which comes close to destroying the book.

He writes that there have been "great changes and new emphases in where New Zealand poetry has been going.

"Obviously, the main thrust has been occasioned by recent 'post modern' developments in American poetry and less obviously by one or two powerful voices in the United Kingdom. But the most marked characteristic of the new poetry is the change from the traditional 'closed' form of English writing to an 'open' form. That is, consciously or unconsciously, to a larger or lesser degree almost all the poets in this anthology have exploited the fact that poetry does not have to have a beginning, a middle and an end, nor does it require to conform to the dictates of traditional logic.

"Indeed, poetry can rest on an awareness of the psychological processes — an understanding between the poet and the reader/listener that the poem is a starting point, a means of involving people in patterns of experience which are inherent in the poet, the members of his/her audience, and the poem. Thus poetry not only depends on what the writer is saying, but also on what idiosyncratic memories, emotions and experiences the reader can contribute.

"It allows room for the accidental, for the vagaries of the subconcious, for the peripheral and apparently inconsequential to make their contributions, for the private vision to become public experience, and for the public opinion to interact with private and personal belief. . ."

That beginning to an introduction to "one of the more interesting and exciting directions in which poetry has been moving in New Zealand over the last few years" could have been written 40 years ago, even 50 or 60, without surprising anyone. It is an oversimplified statement of the obvious in a ponderous prose style.

Far from encouraging an interest in the work collected in the book, this introductory essay is a shut-out for anyone with a quick and interested mind.

It actually gets worse as the theme develops and at one time pulls out that old we-know-something-you-don't-and-therefore-you're-excluded trick of the primary school playground. Writing about a recent trend towards longer poems, Paterson says this has been at least partly because "the new techniques allow the form without a strictly narrative structure based on the tradition of logical development". That's arguable anyway, but it's here that he says: "Critics and readers who are not aware of the change (and recent calamitous reviewing verifies this lack of awareness) will fail to understand or appreciate what the writers are doing — which is unfortunate: such a lack of understanding carries with it limitations of sensibility, and can result in the denigration of extremely good poetry."

Blaming the reader or, worse, patronising him is to effectively shut him out.

Paterson's major positive stroke as editor is the inclusion of a new poet, Rosemary [illegible] press. She has a witty and [illegible] tack of the sort Kevin [illegible] takes so effectively.

A poem called *Anagr*[illegible] example:

look t s eliot
the world will renew
itself —
toilets
flush
aux etoiles

And most of the verse the editor has chosen, including his own, is pitched at the ordinary reader. Little of it is diffi[illegible] and none of it is exclusive. [illegible] shame about that introduc[illegible]

Oh, and one thing I'd like to know. In the "Notes on Contributors", one of them is described as "exploring [illegible] opportunities". Do poets, [illegible] labourers, get the work opportunities exploration benefit?

Maori history snares reader

I PICKED up a review copy of *The First New Zealanders*, Philip Houghton (Hodder and Stoughton), flipped the pages casually — and got snared like a bird for a Maori dinner.

Houghton is on the staff of the department of anatomy at the University of Otago Medical School, and he has matched up his professional skill with an interest in the Polynesian settlement of New Zealand.

He has researched the physiological and anatomical characteristics of the Maori using evidence from the past and the present, and related it to evidence available from other Polynesian sources in a bid to trace the origins and patterns of migration of the race.

It's not a light read — but it's not a heavy going either, at least if you are interested in New Zealand pre-history.

What does Dr Houghton show? That Maoris were a tall people, averaging three to four inches more in height than Europeans. That Polynesians have an extraordinary racial homogen[illegible] the evidence [illegible] strongly b[illegible] tle and arched [illegible] that the [illegible] Polynesian [illegible] tern Pacific [illegible] Society Islands [illegible] quesas in [illegible] back to [illegible] Zealand. [illegible]

But those are just a few of the facts [illegible] that Dr Hou[illegible] the ring [illegible] it will give [illegible] more [illegible] history [illegible]

Letters

Aluminium and economists

I READ with considerable interest your recent article — "Moving from obtuse abuse to informed debate" (*NBR*, August 11). I endorse the desire for a more widespread and informative debate on economic matters. In the present economic climate it is absolutely essential.

But in my experience the process is not helped by the often inconsistent behaviour of the news media, and I think your own treatment of the aluminium smelting debate is a good example.

You have given considerable coverage to Professor von Moeseke's views which is admirable, but you have not offered any subsequent critical analysis of them. You also gave coverage to Murray J Ellis's paper on the same topic and treated his views as an endorsement of van Moeseke's position without making it clear that Ellis considers van Moeseke's conclusions "implausably pessimistic". That comment is in the second paragraph of Ellis's paper and its omission is very significant in the context of the debate.

I published a 10-page critical comment on Professor van Moeseke's paper. It mentioned that we had done research on the same topic and that we came to a rather different conclusion, but virtually all of my comments on Professor van Moeseke entailed quite detailed and specific rebuttals of key points within his paper. The comment does not rely on unpublished or secret information for its validity. It is quite specific and clear about what I consider to be Professor van Moeseke's errors. A copy of this was posted to you several weeks before the August 11 issue.

It is the only published alternative view in the present debate. And yet you dismiss the 10 pages of specific comment on van Moeseke in one brief sentence saying that NZIER has yet to publish any substantive research so the public can judge for itself.

The point I am making is obvious at this stage. You have given considerable coverage to one side of the debate, and yet when you have quite specific and detailed information presenting a contrary viewpoint, you choose to ignore it. This treatment of one's views only increases the frustrations and the unproductiveness of becoming involved in a public debate on a major economic issue.

Kerry McDonald
Director
NZ Institute of Economic Research

YOUR earliest foray into the public debate was a 10-page press release on August 8, just one day before our August 11 edition went to the printers. We acknowledged the press release briefly, but expected to receive a more substantial research document. This turned out to be a seven-page summary of your Comalco research which we did not receive till after our August 11 edition had gone to press. We now have a 44-page full report, apparently not yet available for wider distribution and — interestingly — dated June 1980 on the inside cover, July 1980 on the outside cover, but (as far as we know) not published until mid-August.

It seems that this is the bulk of the substantial published material we are likely to get positively supporting smelter development, and we have devoted two pages to covering it this week. Another article will appear in the next issue. — Editor.

Aside slurs academics

YOUR Economics Correspondent's article "Moving From Obtuse Abuse to Informed Debate" (*NBR*, August 11) included an unnecessary aside which typifies the kind of uninformed attitudes current in the community today with respect to universities, in general, and academics, in particular. He or she writes that: "University economists rate the highest. They are rewarded with high salaries and three months annual holiday to speak an academic version of economics and keep their fingers (and figures) out of the policy making arena."

My association (which has 2500 members and represents approximately 80 per cent of all full-time academic staff in the universities) has, perhaps, been guilty of not pushing its own barrow often enough in the past. The current pressure on universities combined with the prevalence of attitudes similar to those of your correspondent mean that the association must take a much higher profile in terms of ensuring that parliamentarians, the news media, and the public in general are aware of the realities of the situation in the universities today.

University salaries can not be claimed to be unduly high — secondary school teachers' salaries have recently moved in such a way as to be more than competitive with the salaries paid to lecturers and senior lecturers, and the difficulties of recruiting in professional disciplines indicate that salaries are no longer attractive.

Worse than that is the comment that academic staff receive three months' annual leave, presumably based on the commonly-held fallacy that when students go on holiday academic staff immediately go ski-ing, fishing, en masse! Let me assure your correspondent and your readers that no university staff take longer annual leave than is general in the community and some take less.

To allay the question which may immediately arise as to what do academics do when students are on leave requires an explanation as to why university lecturing differs from other areas of teaching. The important difference lies in the emphasis placed on research within universities, a factor to which even Government does not give due recognition. An enormous amount of research of value to this country is being undertaken within New Zealand universities at extremely low cost and most academics would like to devote as much time to research as to teaching; in practice, only in those three months do they have the time available to get on with this research.

Unfortunately, Government has succeeded over the past five years in effectively reducing the academic establishment to 550 below a reasonable level (based on UGC calculations at the time of the negotiation of the 1974-79 quinquennium). The staff: student ratio during this period worsened from 1:10.8 to 1:12.4 because money which should have been allocated for academic salaries was used for coping with the effects of inflation in cases such as heating, light, water, telephones, and so on. Government now intends to move to a staff: student ratio of 1:12.9 by the end of 1984 which, together with lower support staffing, will imply reduced quality of education for students and/or even less time for important research.

You should also realise that van Moeseke and Easton are not by any means the only academic economists who involve themselves in public debate of policy issues. Geoff Bertram (whom you mention in the article), Brian Philpott and Merv Pope are three more economists at just one university — Victoria, who contribute regularly in the media to the debates on various aspects of economic policy. Many others, who may be less media-oriented nevertheless contribute in other ways, for instance, by serving on Government committees and thus making an input to the policy format process directly.

I would add that your correspondent's comments are not the only unnecessary reaction to economists entering the public arena. According to press reports Mr Warren Cooper, instead of constructively criticising van Moeseke's arguments, used the opportunity to make an absurd attack on spending money on university professors' salaries. Unfortunately, comments like these are more likely to send university economists back to their ivory towers than encourage desirable debate — the reverse of what your correspondent intends.

Prue Hyman
President,
Association of University Teachers of New Zealand (Inc)

MEDIA-orientated economists were mentioned in the article only to make a point; we acknowledge that others make a contribution. Our point was that the public is often fed an authorised version of economics by Government politicians, decisions are taken and then forced on the public as a *fait accompli* with nary a squeak from those with the expertise to evaluate decisions.

Many good academic economists do evaluate decisions but are reluctant to clearly explain policy implications publicly. Economist who venture into the public arena risk political bashing (as von Moeseke found), but that bashing would be less bruising if economists gave stronger support to their colleagues (even if disagreeing) and if they worked harder to foster public awareness that in spite of what politicians might say no policy decision is sacrosanct.

Some academic economists come down from their ivory towers only to sit (for a fee) on some committee. And outside of academia, a number of economists seem blinded by ambitions into accepting the Government's way, even if application of analytical techniques shows the folly of Government policy. — Editor.

Tourism

American agents were unaware of NZ attractions

by Neil Ritchie

AMERICAN travel agents are confident that a large influx of tourists, specially from the Mid-West and South, will come here during the next two years.

But the country's attractions need publicising. Some travel agents among a group of 35 who recently spent 12 days here did not know of all the package tours to this country. Nor were they aware of the relatively cheap internal travel, accommodation and food available.

"I think that New Zealand will see a tremendous increase in tourism from North America in the next year or so," said Rod Quiros, one of the group.

Another, Peggy Marc, said: "It's a new place, you can see the country in a very complete way in two weeks and you encounter a great variety of scenery," she said.

While Quiros spoke of "breathtaking natural beauty", Marc mentioned the "wholesome country food, the very good white wines and the great beer".

All the travel agents were from the Mid-West chapter of the Pacific Area Travel Association, based in Chicago.

Both Marc and Quiros criticised the lack of package tours that included Australia and New Zealand among other countries.

Quiros said: "Other airlines, say Japan or Thai Airlines, offer more advantageous fare packages which allow stopovers in five or six countries in South-east Asia. When you consider Australia and New Zealand there are no similar packages available."

But Derek Green, of Atlantic and Pacific Travel in Auckland, said there were about eight packages which include Australia, New Zealand and some Asian countries.

"Most of the operators have at least one such package," he said. Jetset Tours, for example, had a "Circle Pacific" tour which covered seven countries in 29 days. This included Hong Kong, Singapore, Bali, Thailand, Australia and New Zealand.

But Quiros and Marc might not be aware of those tours because most originate from the West Coast. Until recently the Tourist and Publicity Department has concentrated its advertising on California, where about one-third of all American tourists come from.

The 35 travel agents comprised the first of four groups that will visit this country in the next few months. There are plans to bring a group from Texas, one from Pennsylvania, New Jersey and Florida, and in October, a group from Canada.

Tourist and Publicity has arranged the tours in conjunction with Air New Zealand, Pan Am and Continental Airlines.

Continental, the department hopes, will bring the tourists from the Mid-West, Texas and Florida.

New Zealand should see greatly increased numbers of American tourists here within the next few years as other options rapidly close.

"Europe is now horrendously expensive. Americans like to go to places where the dollar still has some value," said Marc.

"Politically, Americans want to go where they are welcome. Some Americans are afraid to travel to some parts of South America and Africa," she said.

Quiros said he would like to see weekend shopping here. "Weekend shopping would be a great drawcard because Americans love to shop. Sometimes they spend more money on shopping than they do on the trip," he said.

It did not matter if the American tourist always flew into Auckland, said Quiros. He did not think much would be gained by arriving in Christchurch or Wellington (contrary to what advocates for extending Christchurch Airport's runway are saying).

"Most of the people come on package tours so they will see other parts of the country as part of the tour anyway," said Quiros.

He said he did not think there was an accommodation shortage in Auckland. "With a package tour accommodation is already arranged.

"Any time of the year is suitable for people to come to New Zealand," he said. "In the summer there are the beaches and in the winter there is the skiing."

Both Quiros and Marc said their trips had been worthwhile.

"I believe a great deal in educating my clients. We need all the information we can get in the Mid-West," said Quiros.

He said New Zealand covered the West Coast very well, but more advertising was needed in the Mid-West.

Marc said: "I will be better able to inform my clients and to promote New Zealand as a destination. You have to prepare a client for what they will see and experience."

For the year ended May 1980 more than 72,000 Americans visited New Zealand – a 16 per cent increase over the previous year and the biggest increase from any one country.

Tourism

Budget pushes growth in face of world recession

by Rec Mezengarb

SINGAPORE'S frantic desire for fast growth and modernisation is mind-boggling to the average visitor.

While the rest of the world is bracing itself to ride out an international recession, the Singapore Government this year has opted for a 28.7 per cent increase in expenditure.

To power the great development machine the Government presented a $S7.6 million budget (about $NZ3.8 billion) to Parliament in March.

While designed to "spur Singaporeans to do their best", the Budget at the same time granted an across-the-board reduction in personal tax rates ranging from 6.8 per cent to 19.9 per cent.

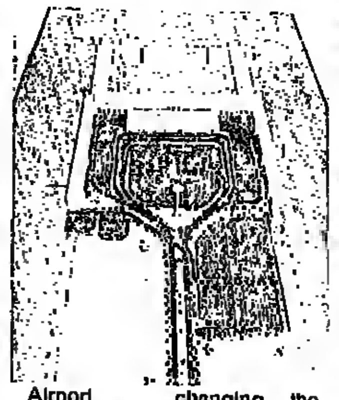
According to the memorandum on the Budget for this financial year, expenditure allotted to industrial and commercial development will grow by 14.5 per cent to $S1106.7 million. Housing will account for $S1197 million; transport and communications another $S553.7 million.

The extent and pace of growth and renewal is daunting, even to the most casual visitor.

Tourists seeking the nostalgic pleasures of days long past – the ancient, derelict but fascinating Chinatown; the historic, old-world charm of Raffles Hotel with its lofty ceilings and fan-like palms; a dinner in Albert Street – will find it almost tragic.

Almost, because the Singapore Tourist Promotion Board – now actively promoting Singapore as a destination by itself rather than just a stopover – has become more conscious of what attracts the tourist to the country.

The board says that where it can, it will preserve.



Airport ... changing the landscape

In recent weeks the decision has been made to restore Raffles as far back to its original state as possible. Until then the old Victorian structure had been ear-marked for the onslaught of "progress".

Thanks to the efforts of manager Roberto Pregarz and a businessmen-backed "Save Raffles" group, architects are looking at its history to decide how to go about the restoration.

The task is likely to cost well over $S50 million.

Chinatown won't be so lucky. As STPB public relations officer Evelyn Wee said, a large part of the area is structurally unsound, and unable to be preserved.

It was a complex problem, she said, compounded by the exodus of young people from the area into the new developments.

Though not all will be demolished, a large portion of old Chinatown is marking time.

But the Government is encouraging new developments to lure the tourist.

Tourism was able to grow at a rate of 16 per cent through the 1970s, mainly because investors had the foresight to build hotels to accommodate the visitors.

But Singapore's 12,673 hotel rooms now have an average annual occupancy rate of around 85 per cent, and more than 90 per cent at peak times.

To achieve target growth rate through the 1980s of 12 per cent (January to April this year saw a rise of 13.9 per cent on the corresponding period last year), more hotels are being planned.

They will be accommodating something like 4 million people a year by 1985, according to Wee.

Included in the strategy to lengthen the stay of visitors from an average of only 3.7 days, are ambitious plans to develop Sentosa Island – half a kilometre south of the mainland – into a first-class island resort.

The work, being undertaken by the Sentosa Development Corporation at a cost of $S24 million, includes a monorail due for completion next year, a golf course and a musical fountain.

Other less definite plans include a handicraft area, plaza and a health resort.

Aucklander David Dunningham is keen to establish a "rejuvenation clinic" on the island.

Some observers suggest that despite the impressive development of the island so far, the project is a failure.

The Government, at Budget time, admitted the response had been poor though it had offered incentives to the first two resort hotels on Sentosa.

Wee pointed out that Sentosa's problems were lack of facilities (difficult for the New Zealander to appreciate because Sentosa is an impressive-looking place) and transport.

A task force was invited earlier this year to advise the board.

Already it was clear the island requires another gateway, but the report was still being finalised, Wee said. After that, "things will be done".

The corporation is also developing into recreational grounds – though not to the same extent – some of the 50-or-so outlying southern islands. These developments are intended to replace the beaches lost through the Changi airport development being built at a cost of $S1.5 billion.

In 1975 the Government recognised that the present airport was congested and its configuration could not cope with the traffic demands.

Singapore Airlines (SIA) is contributing one-third the cost of the project, which is being undertaken on land at the eastern tip of the island. About 60 per cent of the land involved is reclaimed.

The project this year received the bulk of the $S264.7 million ear-marked for development projects under the Ministry of Communications.

About $S110 million is for the construction of the passenger terminal building; $S76.73 million for the construction of runways and parking; and $S22.3 million for the installation of communication and navigational aids. A free-standing hangar capable of holding three jumbos will cut out $S178 million of the budget.

The project is proceeding quickly and in recent months the Changi landscape has changed considerably. The once rural environment is swarming with activity as the 2200 labour force strives to meet deadlines.

Despite some delay in the construction programme caused by an industry-wide shortage of building materials and manpower, the project is on schedule.

The hangar will not be commissioned before December 1981, but plans are being made to move the international airport to Changi in July 1981.